

GREATER CHRISTCHURCH PARTNERSHIP
SOCIAL AND AFFORDABLE HOUSING ACTION PLAN REPORT

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We have made every attempt to ensure that the information, data, forecasts and opinions contained in this report are accurate and obtained from reliable sources. All information is provided ‘as is’ with no guarantee of completeness, accuracy, timeliness or of the results obtained from the use of this information. While we consider the information to be correct, we accept no liability for any inaccurate statement, data, information or forecast for any decision made or action taken in reliance on the information in this report or for any consequential, special or similar damages.

Executive Summary

1. This report is prepared for use by the Greater Christchurch Partnership councils to address the need for affordable housing. It builds upon the 2017 Housing Demand in Greater Christchurch report from Livingston and Associates which helps inform the future needs for housing across the continuum to respond to demographic and economic changes.
2. Christchurch City, Selwyn and Waimakariri District Councils are considering what they can do along with Environment Canterbury to support more affordable housing in the Greater Christchurch area.
3. This report analyses housing need in the area, housing assistance available to people, and the range of supporting initiatives that local authorities have in place in greater Christchurch and across New Zealand. It draws on publicly available information including some international literature about best practice, a survey of local authority social housing stock, and interviews with community housing providers, iwi, the Canterbury District Health Board and the three councils.
4. Housing in Greater Christchurch is considered relatively affordable in the New Zealand context. An “average” home can be purchased for just over five times the average annual income, while house prices are approaching ten times the average income in other urban areas.
5. However, there is a significant shortage of lower value and smaller homes. Low-income renters are particularly disadvantaged by this, especially Māori, single parents and single older people. The social housing waiting list has grown from 483 to 1,327 over the last five years, and community organisations are having to use to motels to house hundreds of homeless people. Emergency housing special needs grants have doubled over the last year, partly as a result of Covid-19. Demand for housing assistance is concentrated in Christchurch city which has the largest population and where social housing and services are located. However, housing need in the other two districts is growing, especially in Selwyn. Forecasts are for housing need (especially of single older people) to grow across the area as the population ages and the outer districts become more demographically diverse.
6. Almost 10,000 social, transitional assisted rental and progressive home ownership houses are provided in the Greater Christchurch area, mostly social housing and 95 percent in Christchurch city. Kāinga Ora and community housing providers have a further 1,000 homes in the pipeline. Providers expressed concerns that social housing is too concentrated in Christchurch, sometimes resulting in poor family and neighbourhood outcomes, while needs are not being met in Selwyn and Waimakariri. These two districts also have insufficient Government services to support social housing tenants.
7. The councils in Greater Christchurch are collectively doing “core business” well. They are undertaking long term planning that anticipates growth, and zoning and servicing plenty of land for developers to meet demand for housing. Waimakariri and Selwyn District Councils are reviewing their District Plans to ensure there continues to be sufficient development opportunities in the medium to long term. The Christchurch City District Plan enables

intensification and redevelopment that can provide for “ageing in place” (although it notes slow uptake of these provisions).

8. The National Policy Statement on Urban Development (NPS-UD) requires the councils to undertake more detailed, updated analysis of the housing need of different groups in their community and how council planning might be affecting this. The NPS-UD also requires them to enable more intensification and remove car parking minima in their district plans. The Selwyn and Waimakariri District Plans reviews may provide an opportunity to make other changes too, including zoning retirement villages so they are connected into the community and allowing existing homes to be partitioned. All three councils along with Environment Canterbury should explore with developers and community housing providers why low value smaller homes are not being built. It will be important to monitor the effect of their district plan provisions and make adjustments should the desired actions not result. They should also work with Ngāi Tahu to ensure the Regional Policy Statement (RPS), district plans and infrastructure provision enable Kāinga Nohoanga¹ in its fullest sense.
9. The councils diverge in their non-core activities to support more affordable housing. Christchurch City Council provides significant loans to the Ōtautahi Community Housing Trust and major maintenance of the pensioner homes it leases to the trust. It also provides finance to a shared equity programme, development contribution and rates rebates to community housing providers for affordable housing, and a grant for a Housing First community worker to help address homelessness. The Council is keen to pursue an affordable housing requirement on development in its District Plan. Waimakariri is considering detailed analysis of its housing needs and comprehensive recommendations. It has 110 pensioner units and is considering whether it should retain these assets or transfer them to another party, potentially using sales proceeds for other affordable housing initiatives. It provides rates rebates to pensioners with limited income to maintain their homes. Selwyn District Council has a housing strategy that considers a range of tools (and particularly use of surplus land) to support social housing for older people, but it has not acted on this yet. It coordinates information sharing between community housing providers.
10. An effective social and affordable housing programme to address housing needs in Greater Christchurch would involve partnerships between the councils including Environment Canterbury, central government, community and iwi/Māori providers and property developers utilising a range of the tools at their disposal, including:
 - Research to understand the continuum of housing demand across all tenures and needs of different groups across the Greater Christchurch area, and what is needed to build more lower value, smaller homes

¹ For the balance of this report, the term Kāinga Nohoanga may be used alongside or inter- changeably with Papakāinga. The term Kāinga Nohoanga is however the preferred terminology for Ngāi Tahu whenua. Adopted from Mahaanui Kurataiao Ltd (2018), *Waimakariri District Plan: Council District Plan Review - Kāinga Nohoanga*.

- A shared strategy for addressing these needs now and into the future, which particularly focuses on increasing the supply of affordable homes across Greater Christchurch, and support for rental households
- The Regional Policy Statement, district plans and infrastructure incentivising affordable homes to be built (possibly including an affordable housing planning requirement)
- The Regional Policy Statement, district plans and infrastructure enabling Kāinga Nohoanga in its fullest sense
- Reduced local authority development contributions and consent fees, rates rebates, remissions, loans or grants for smaller and affordable homes and Kāinga Nohoanga
- Local authority land disposals or lease arrangements to support the development of social and affordable housing and Kāinga Nohoanga
- Work with Kāinga Ora toward developing more social housing in Selwyn and Waimakariri, and mixed tenure communities in regeneration projects in Christchurch
- Transfer of local authority social housing to the not-for-profit sector, to leverage income related rent subsidies and philanthropic funding that can be used to maintain quality, expand supply and diversify tenure
- Engage with Government on reforms that address constraints to building affordable housing, such as the Building Code and covenants.

1. Introduction

1.1. Purpose

This report is prepared to help the Greater Christchurch Partnership councils address the need for affordable housing. It builds upon the 2017 Housing Needs Analysis report from Livingston and Associates which helps inform the future needs for housing across the continuum to respond to demographic and economic changes. This report explores housing needs and identifies tools, practices and actions that Christchurch City Council, Waimakariri and Selwyn District Councils and Environment Canterbury can take individually and in partnership with other agencies, to support affordable housing.

1.2. Scope and definitions

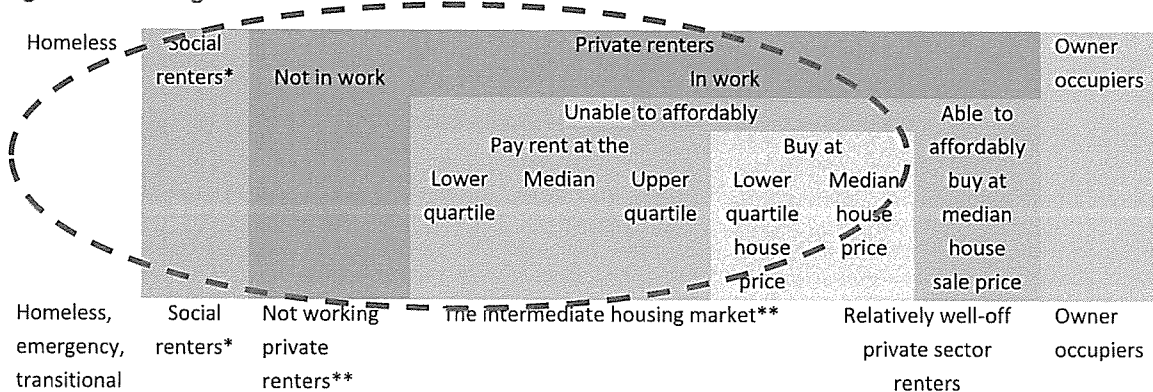
The term “affordable housing” is used in different ways:

- Most broadly, it describes housing that is adequate to meet need and does not cost more than is required for households to sustainably meet their other needs. A rule of thumb is that housing costs (either rent or mortgage payments) are within 30 percent of household incomes
- It often refers to “lower cost” housing that low-middle income households could afford to rent or buy
- Alternatively, it may refer to non-market housing products, including financial support and emergency, transitional, social, assisted rental and assisted ownership housing. These products are usually targeted at low-middle income households struggling to access homes they can afford in the market.

This report focuses on actions the councils can take which enable more affordable residential development, as well as those which support non-market housing products.

Figure 1 shows where the report is focused in the “housing market continuum”:

Figure 1: Housing Market Continuum



Note: This diagram is not to scale and does not represent the relative size of each group.

*Social renters are in housing funded via the Government's Income Related Rent Subsidy

**Includes households receiving the Government's Accommodation Supplement. The intermediate housing market is defined as "private renter households with at least one person in paid employment, unable to affordably purchase a house at the lower quartile house sale price for the local authority area at standard bank lending conditions."

1.3. Method

This report presents the results of:

- The review of housing demand and need in the Greater Christchurch Partnership
- Interviews with Local Government New Zealand, Christchurch City, Selwyn and Waimakariri District Councils, community housing providers, Te Ngāi Tūāhuriri Rūnanga, Kāinga Ora and the Canterbury District Health Board
- Workshops with Te Waipounamu Community Housing Provider Network (the South Island network of community housing providers) and staff from the Greater Christchurch Partnership councils
- Current and planned affordable housing provision in the Greater Christchurch Partnership council areas
- International summaries of affordable housing programmes and a discussion of ‘good’ practice
- A review of public information on New Zealand local authority strategies and policies along with the policies of the Greater Christchurch Partnership councils
- A survey of local authority social housing stock in New Zealand.

2. Housing demand and needs in Greater Christchurch

2.1. Overview of housing demand and needs

The Greater Christchurch housing market is commonly viewed as relatively affordable. Over the last few years median house prices have remained a little over five times the median household income in Greater Christchurch. In other areas of New Zealand house prices have increased to around 10 times the average household income. This median house price/income measure of housing affordability is called the “median multiple”. The *Demographia International Housing Affordability Survey* is one source of such measures for cities across New Zealand and the world. It considers a median multiple of 5.1 and over severely unaffordable². However, these “average” measures do not capture the experiences of different household types. A more granular view must be taken to understand affordability for various households and the responsiveness of a housing market to their needs.

Various data sets demonstrate that the Greater Christchurch housing market is struggling to deliver homes affordable to lower income and smaller households. There is a significant shortage of lower value and smaller homes. Low-income renters are particularly disadvantaged by this, especially single parents and single older people. The Public Housing Register has grown from 483 to 1,327 over the last five years, and community organisations are having to use motels to house hundreds of homeless people. Emergency housing special needs grants have doubled over the last year, partly as a result of Covid-19. Demand for housing assistance is concentrated in Christchurch city which has the largest population and where social housing and services are located. However, there is also need in both Selwyn and Waimakariri where there is relatively little social or affordable housing provision.

² 16th Annual Demographia International Housing Affordability Survey: 2020 at: <http://www.demographia.com/dhi.pdf>

2.2. Housing demand and need data review

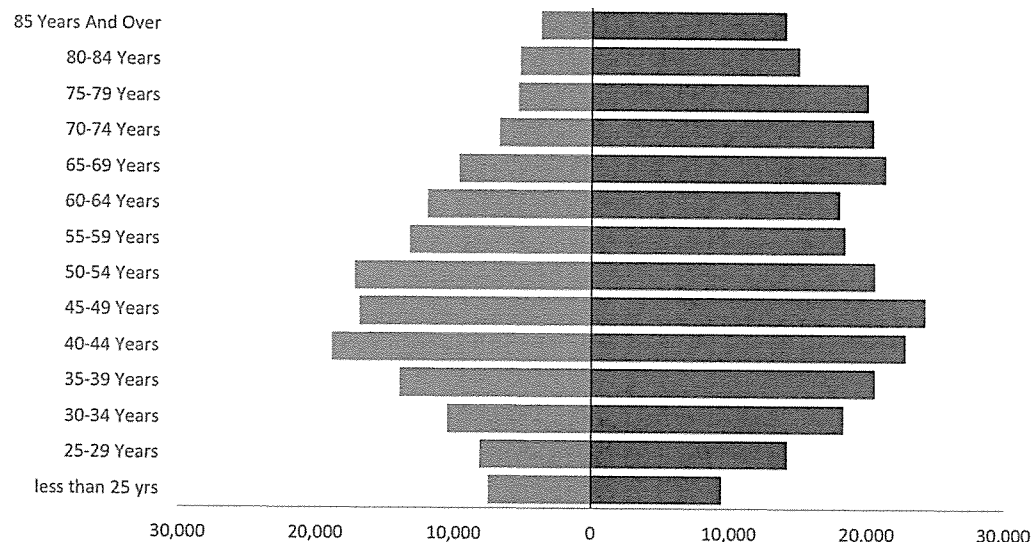
The Greater Christchurch Partnership commissioned a report in 2017 to better understand housing demand by a range of demographic characteristics. The *Housing Demand in Greater Christchurch* research report was completed by Livingston and Associates in November 2017³. Using data from Statistics New Zealand and the Ministry of Business Innovation and Employment, the report modelled household cohorts by age, household composition and tenure. The report documented changes between 1991-2013 and projected trends to 2048.

The historic and projected trends include a deterioration in housing affordability, a decline in home ownership, a rise in the proportion of couple only and one person households across both rental and owner tenures, and increasing demand for smaller multi-unit dwellings. The rate of homeownership is projected to decline from 67.9% in 2017 to 60.7% in 2048. The modelling projected 36,570 renter households needing some assistance to meet their housing requirements in 2017. This comprised 25,180 private renter households paying more than 30% of their gross income in rent, 8,710 public housing tenants and other assisted or homeless households. 33,340 of these households lived in Christchurch City, representing 63% of all renters. While the absolute numbers are lower, the percentages in Selwyn (39%) and Waimakariri (53%) also show a high level of need.

The number of intermediate housing market households (excluding those in public housing, homeless and not in work) were estimated to total 48,330. Of these 4,870 households could affordably rent but were unable to buy at the lower quartile house price while 18,280 could affordably purchase at the lower quartile price.

The demographic changes in household composition and age are consistent with overall trends across New Zealand. As shown in the figure below from the report, the population profile is projected to change significantly as people are living longer.

Figure 2: Greater Christchurch's households by age of household reference person 2017-2048



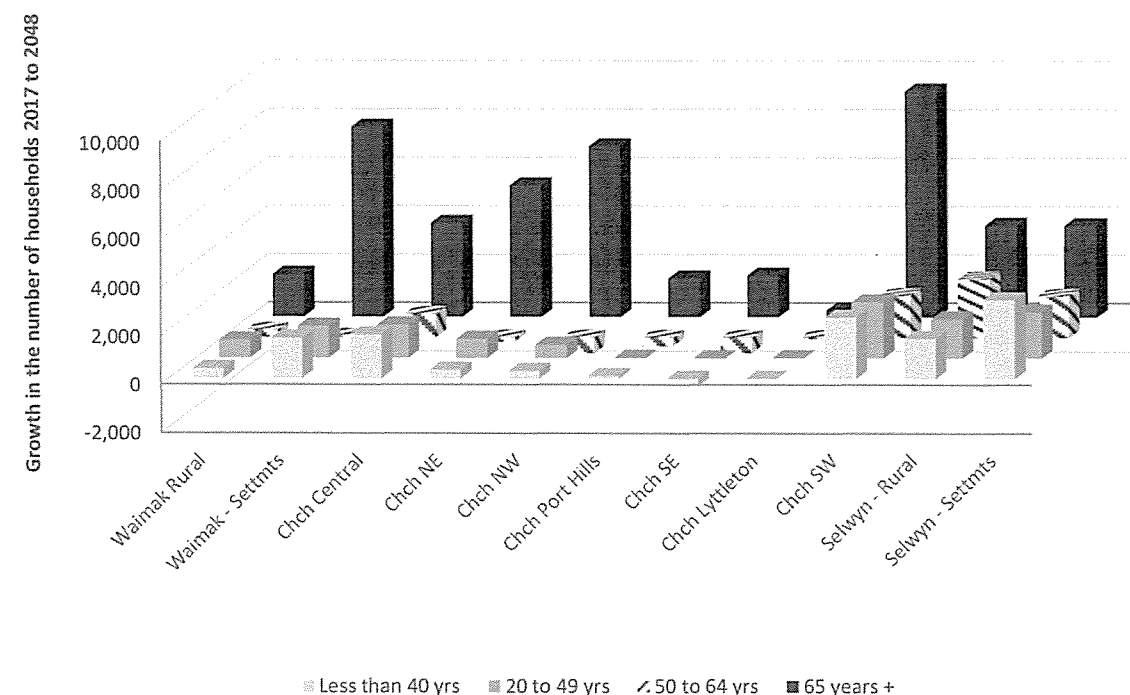
NOTE: *Housing Demand in Greater Christchurch* report Figure 3.1

³ <https://greaterchristchurch.org.nz/assets/Documents/greaterchristchurch/Our-Space-consultation/Greater-Christchurch-Housing-Capacity-Assessment-reports-1-4.pdf>

The combination of an aging population and smaller household sizes may result in an increasing underutilisation of the housing stock over time as much of the existing supply consists of 3+ bedroom homes. Facilitating a transition in the typology delivered and enabling the increasing number of older households to age in place are significant challenges. Retirement villages provide appropriate unit types and amenities for those able to afford them. However, with home ownership rates falling there will be more renters entering retirement requiring affordable rental homes.

The aging of the population is spread throughout the Greater Christchurch Partnership with increases seen in all Council areas. In every submarket area modelled, those aged 65+ are projected to experience the largest projected growth across age cohorts.

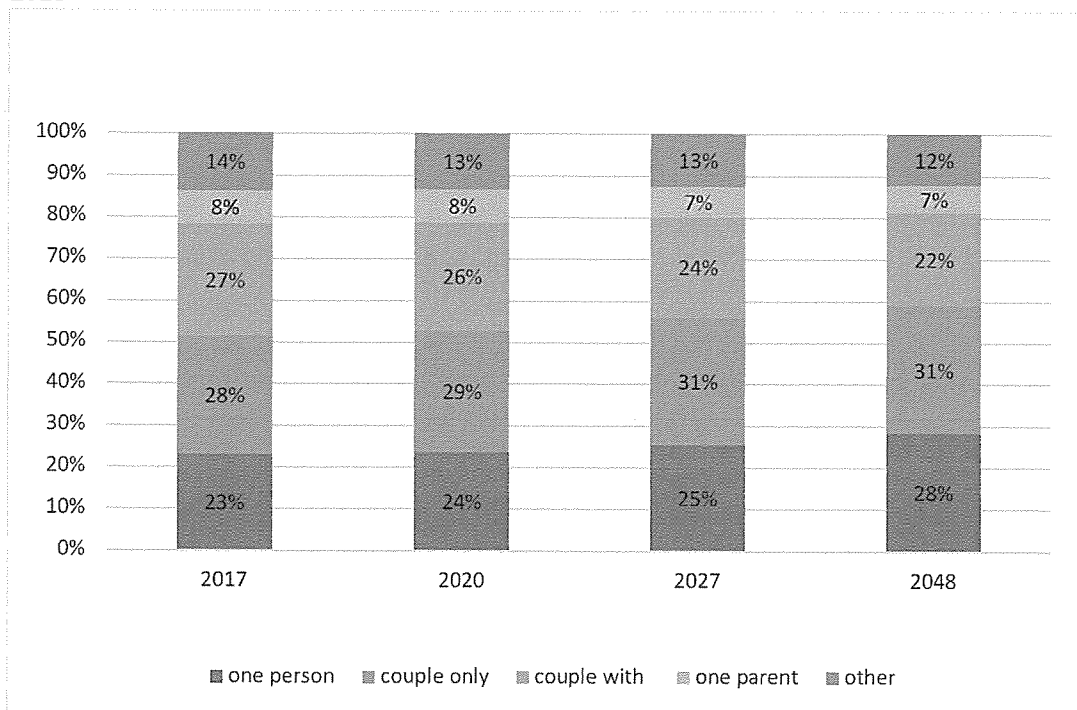
Figure 3: Projected household growth by age and submarket



NOTE: *Housing Demand in Greater Christchurch* report Figure 3.8

The following figure shows the steady increase in smaller one person and couple only households over time. These households will increase from 51% to 59% of all households. The delivery of smaller homes will be required to meet the demand created by the growth in these households.

Figure 4: Number of households in Greater Christchurch by household composition - 2017 to 2018



NOTE: *Housing Demand in Greater Christchurch* report adapted from Figure 3.4

The Livingston and Associates report also analysed the changes in affordability across Greater Christchurch. The data showed that the rate of increase in house prices and rents have outpaced increases in household incomes. The result is a declining rate of home ownership and an increasing rate of housing stress amongst renter households. For the period 1991 to 2013, median house prices increased over twice as fast as median incomes in Christchurch City and Selwyn, and nearly twice in Waimakariri. The median rent increases are more subdued, but still outpaced changes in incomes in all three Councils. The changes are summarized in the Table 1.

Table 1: Changes in house prices, rents and household incomes

	% change 1991 to 2013		Increase in prices/ rents to incomes
	Total %	Annual average	
House prices			
Waimakariri	334%	6.9%	1.86
Christchurch City	380%	7.4%	2.18
Selwyn	547%	8.9%	2.17
House rents			
Waimakariri	163%	4.5%	1.22
Christchurch City	128%	3.8%	1.12
Selwyn	266%	6.1%	1.49
Household incomes			
Waimakariri	121%	3.7%	
Christchurch City	110%	3.4%	
Selwyn	140%	4.1%	

NOTE: *Housing Demand in Greater Christchurch* report adapted from Table 4.1

The latest data on dwelling prices and rents show a continuation of the prior trends since the report completed in 2017.

Figure 5: Greater Christchurch averages home sales prices 1994-2020

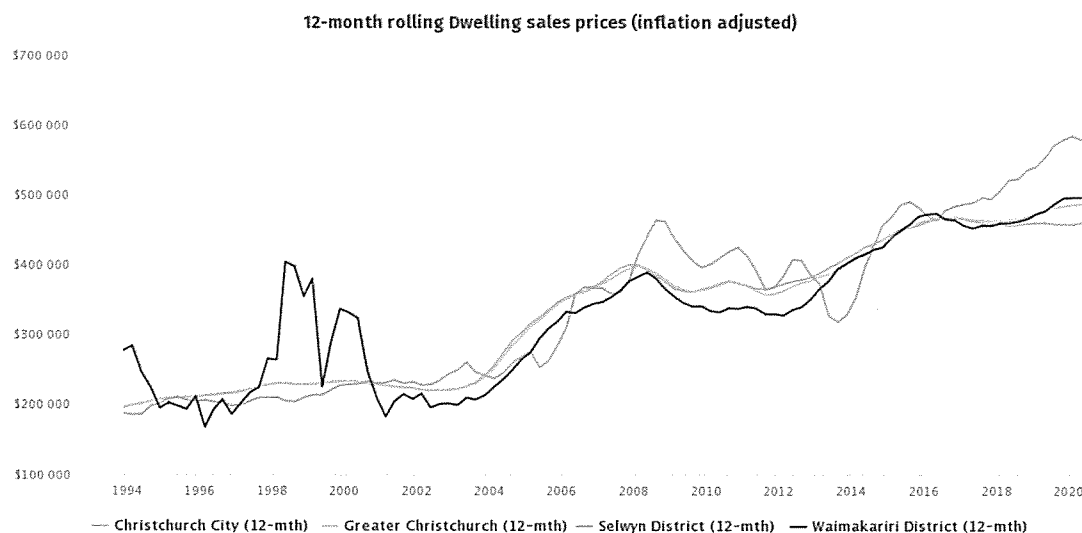
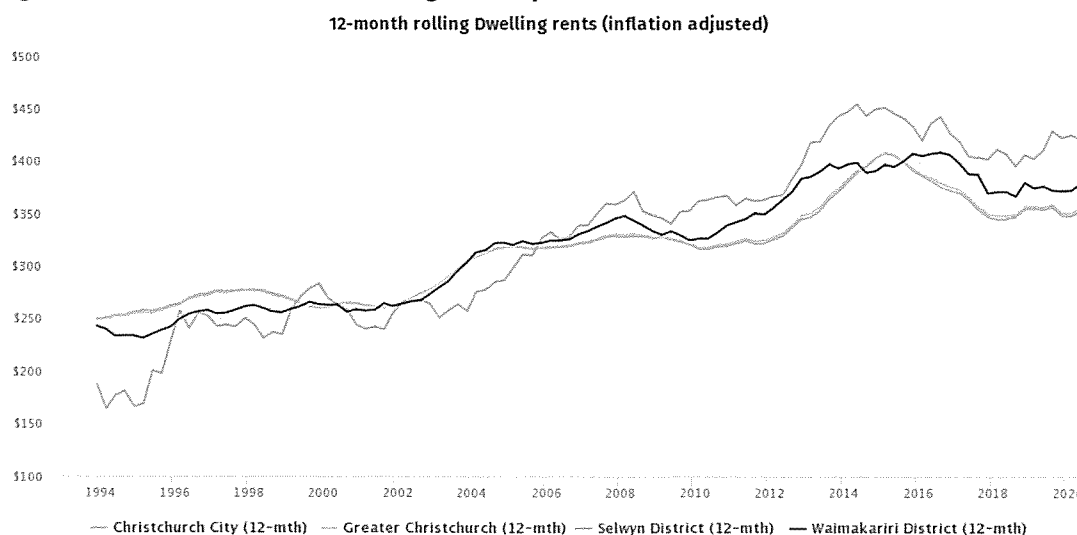


Figure 6: Greater Christchurch average weekly rents 1994-2020



Source: <https://huddashboards.shinvapps.io/urban-development/# 25/08/2020>

The impact of these trends is most pronounced on lower income households. One indicator of how the lowest income households are faring is the Public Housing Register. This register is maintained by the Ministry of Social Development to prioritise placement of eligible households into public housing supported by the Income Related Rent subsidy⁴. The two charts below show the number of households on the Register since March 2015. Due to the smaller number of households for Selwyn and Waimakariri District Councils these are shown separately on the first chart for clarity. Whilst Christchurch has the largest number on the register, Selwyn has experienced the highest growth (467%), then Waimakariri (291%) and Christchurch (271%).

⁴ <https://www.msd.govt.nz/about-msd-and-our-work/publications-resources/statistics/housing/index.html>

Figure 7: Public Housing Register for Selwyn and Waimakariri District Councils 2015-2020

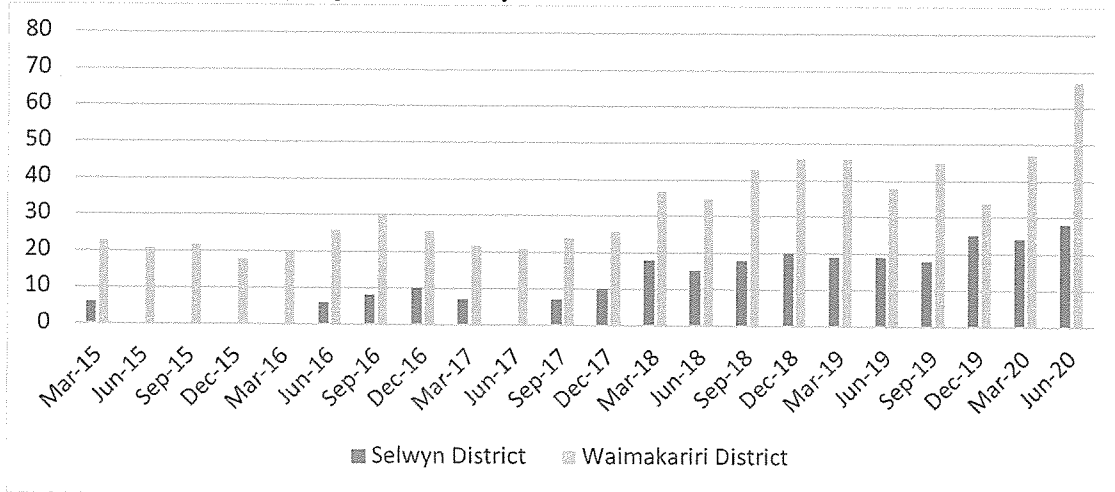
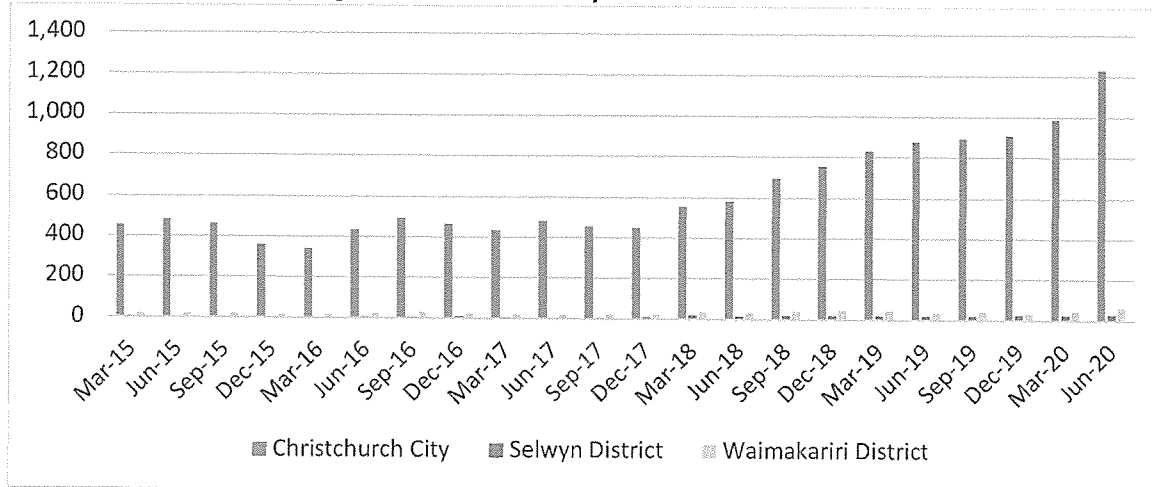


Figure 8: Public Housing Register Christchurch City Council 2015-2020



These charts demonstrate that the headline figures regarding affordability must be interrogated further to understand how different households are faring. The household composition on the Register also reflects the demographic trends of smaller household sizes, with most households requiring one- or two-bedroom homes.

Figure 9: Public Housing Register Bedrooms Required



Other central government spending in the region further demonstrates increasing pressure on lower income households to find and maintain housing. The number and amounts spent on Emergency Housing Special Needs Grants provide an indication of the economic impacts of the Covid-19 pandemic, but also illustrate the significant pre-existing need. The figures in the table below represent the total number of grants and spending for each quarter. A household may receive more than one grant, so the numbers do not represent the number of individual households receiving support.

Table 2: Emergency Housing Special Needs Grants Dec 2019 – June 2020

	Qtr Ending 31 Dec 2019		Qtr Ending 31 Mar 2020		Qtr Ending 30 Jun 2020	
	# Grants	Amount	# Grants	Amount	# Grants	Amount
Christchurch	1,457	\$1,200,709	1,656	\$1,566,119	2,702	\$3,094,647
Selwyn	5	\$4,415	13	\$11,815	15	\$16,263
Waimakariri	44	\$26,440	21	\$16,032	63	\$62,019
TOTAL	1,507	\$1,231,564	1,690	\$1,593,966	2,780	\$3,172,929

Viewed together, the data presented above demonstrate a continuing lack of sufficient social and affordable housing supply. The Livingston and Associates modelling showed 25,180 private renter households paying more than 30% of their gross income in rent in 2017. Since then, the Public Housing Register has increased significantly in both percentage and total numbers of households. The need for Emergency Housing Special Needs Grants was rising prior to Covid-19 and has increased rapidly since March 2020. Demand is expected to further increase as the economic impacts of the pandemic start to bite.

2.3. Housing demand and need interview results

To provide insights into recent trends and confirm the data review findings organisations directly engaged in providing affordable housing and supporting lower income households to access and maintain housing were interviewed⁵. These interviews asked open ended questions regarding: current and future supply; current needs and housing trends; impact of council district plans and

⁵ See Appendix 2 for the list of organisations interviewed

other policies; potential sites; and types of support that would enable them to build more homes responding to needs. Twenty-one interviews with 18 organisations were completed, in addition to discussions with council officers. Fifteen housing providers were interviewed, including eleven registered Community Housing Providers.

Staff from the Canterbury District Health Board and Tenants Protection Association also provided valuable insights. They reinforced the data on housing demand and need, the issues of housing quality and the views of housing providers on trends.

Te Ngāi Tūāhuriri Rūnanga provided input on behalf of Ngāi Tahu. Rūnanga representatives were generous with their time and knowledgeable of housing need and activities across the three Council areas. In addition to their time, Te Ngāi Tūāhuriri Rūnanga provided a technical review prepared in December 2018 of the Waimakariri District Plan clearly outlining the requirements to enable Kāinga Nohoanga. The issues raised in the review are applicable across all Councils.

2.3.1 Demand and need

Housing and social services organisations provided insights to the data based on their work in the community and the households approaching them seeking assistance. The interviews reinforced the demand and need information identified in Section 2.2 for smaller affordable rentals and confirmed an increase of older households seeking affordable rental homes. A shortage of one- and two-bedroom units, particularly in the Christchurch City centre, was noted. The smaller units that are being built are not affordable. The commonly expressed view is that these are mainly used by investors to offer short terms rentals.

Demand for affordable rentals for lower income working households was consistently identified as a priority. This held true across all council areas and from both housing providers and other agencies. There is also a need for more public housing to address the increasing number of households on the Public Housing Register. The register is seen as a barometer of need, but not as an accurate reflection of actual numbers. Many comments were made about Selwyn District having a much higher need than is reflected on the register. There is a lack of current supply in Selwyn, so some households are discouraged from applying or when they do apply they are encouraged to indicate an interest for housing outside of the district to increase their chances of securing a home.

Te Ngāi Tūāhuriri Rūnanga expressed concerns about the lack of affordable housing for whānau. Home ownership rates for Māori are lower than the New Zealand average and trending lower. Combined with lower incomes this makes it harder to get into housing and stay there. Homelessness is an outcome from both historical issues and incomes. The Rūnanga has put effort into providing emergency housing, shared equity home ownership, and financial/ownership education support for whānau taking on homeownership.

The Livingston and Associates report does not provide an analysis of housing need by ethnicity. However, the interviews provided confirmation that Māori make up a significant portion of the households seeking housing. Nationally, Māori make up half of the households on the Public Housing Register. Providers indicated similar percentages of whānau seeking assistance in their interviews.

The demand and need for emergency or transitional housing is increasing. The figures in Table 2 regarding Emergency Housing Special Needs Grants show the sharp rise. During the course of this research, the impacts from Covid-19 resulted in an immediate response to house everyone experiencing homelessness. The government leased motel units to ensure anyone needing shelter had a roof over their head. They also contracted with organisations to support these households during the initial lockdown and then to help them secure permanent homes. Some

of these households have moved into Transitional housing and Housing First programmes while others are supported into public housing and private rentals.

A lack of suitable emergency and transitional accommodation for youth was identified. The unique needs and vulnerabilities of youth are not currently well catered for and the use of motels was described as 'not a best practice model'. It is noted that 298 Youth Health is trying to get youth accommodation built in Christchurch.

Interviewees said the distribution of emergency and transitional housing is not uniform. There is no emergency or transitional housing currently offered in Selwyn and Waimakariri. This is confirmed in the data below in Section 2.4. They also said the lack of services in these areas results in provision solely in Christchurch. Concern about a concentration in some areas of Christchurch was expressed by many organisations. At the same time, they noted that clients need easy access to services which means they are often further contributing to that concentration.

Additional concerns were expressed about the quality of private rental housing. The poor condition of much of the lower priced rental homes available in the market makes identifying suitable permanent housing difficult. The cost of heating these homes has an impact on income and health. With more people moving into Christchurch looking for employment post-Covid, there is greater competition for rentals and tenants feel they may have to settle for what is offered. One organization noted there is also an 'us versus them' divide between tenants and landlords that needs to be bridged.

Many providers commented on the importance of mental health provision. There is a need to provide mental health services to support some clients. Often the level of need doesn't meet criteria to receive help, but there is still a need that is then not addressed. Where these households are renting in the private market, they are at a greater risk of becoming homeless as private landlords are less capable of supporting them. Community providers commonly have staff trained to identify and support their tenants needing assistance.

Another health/social issue identified is methamphetamine usage. Meth impacts both the households directly but also housing providers. They find difficulty with insurance, damages and behavioural issues associated with meth use. Greater addiction supports are needed to assist in this area.

2.3.2 Trends identified

This section discusses the broader trends that came out during the interviews. Some of these relate to demand and need but are part of the broader context of the Greater Christchurch housing market that are longer in their origins and/or duration into the future.

Reflecting the changing demographics and aging population, a trend of more pensioners entering retirement as renters and without savings was raised. Pensioners are increasingly staying with family and also showing up in motels/emergency housing. In Selwyn and Waimakariri, a service provider is noticing that as older people move into retirement villages they are losing their existing community connections. This is a loss both for the older people but also the community they left where many were active providing supports to families, volunteering, etc.

Observations on what builders and developers are constructing indicated that there is not much change in the size of homes and sections with a clear bias toward larger homes, especially in Selwyn and Waimakariri. They do not see a large shift in the number of smaller homes built and commented these are mainly in Christchurch and not affordable for lower income renters. Some noted that in exchange for faster consenting post-earthquakes developers agreed to

deliver some relatively affordable homes. The product has been mainly three-bedroom homes with a single garage, with the size squeezed down to fit on a smaller section to meet the lower price point. The developers did not choose to adjust their typology to deliver one- or two-bedroom homes for the relatively affordable products. These have been unattractive to builders and slow to move.

This choice to deliver smaller versions of the typical typology may be related to a trend noted about the use of private covenants. These covenants often set minimum home and section sizes and other requirements that make it difficult or impossible to deliver affordable homes. Prior research has documented the increasing use of these, particularly in Selwyn and Waimakariri⁶.

A trend related to homes owned by providers is the conversion of some of their assisted rentals to public housing. This is in part a response to the increase in the Public Housing Register and occurs when re-letting a unit after a tenant moves on. This is beneficial to the provider as they are able to receive a higher market rent with the income related rent subsidy. However, this is reducing the number of assisted rentals for households not qualifying for the register. These units previously served those who may fall through the cracks in the system, especially the elderly who need affordable rentals but do not face other barriers to maintaining housing which would make them eligible for public housing.

Adding more pressure on the assisted rental stock is a concern that government investment for transitional housing relies on renting from private sector landlords rather than building new supply. This is seen to potentially inflate rents, making it harder for lower income families to find affordable rentals. Current settings don't offer any funding for providers to build new supply, with contracts typically only for one to three years. Transitional housing providers said it is becoming more difficult to source rental properties for the households they serve. As a result, their average length of stay is increasing beyond the 12-week target.

As noted above, in response to Covid-19 there has been a large recent increase in the number of transitional places. Most of these will continue to be in Christchurch, although one provider is looking to provide five leased units in Rangiora. Along with the conversion of assisted rentals to public housing, this is further impacting on the availability of affordable private rental properties in Christchurch.

The trend of incomes not keeping up with home prices and rents was commented upon in the interviews. Providers said a lack of income is the main issue for many households seeking housing assistance rather than an inability to budget or other issues. Affordability and suitability are constraints for moving out of transitional programmes, along with some landlords perceiving a risk renting to these households.

Providers of progressive home ownership through rent-to-buy and shared equity schemes are not currently active. These providers do not see the same demand as in the past. With falling interest rates many more families who have good credit and steady employment are able to buy directly from the market. Others have significant financial constraints to be addressed prior to consideration for progressive home ownership. Providers are also receiving more inquiries from households over 50 who have never owned. It is difficult to assist these households as banks generally view them unfavourably as they would likely enter retirement with substantial debt. The current strategy of providers is to source finished sections as need arises. The Christchurch Housing Initiative active in this portion of the housing continuum will be followed closely as an

⁶ Frederickson, C. (2018) *Land Covenants in Auckland and their effect on Urban development*, at http://www.buildingbetter.nz/publications/SRA1/Fredrickson_2018_land_covenants_in_Auckland_AC.pdf

indicator of demand. In addition, the Government's new \$400 million Progressive Home Ownership scheme can also provide funding when it is fully rolled out in 2021.

2.4. Social and affordable housing supply – current and planned

2.4.1 Current Supply

To understand how well the needs of lower income households for affordable homes is being met we have collated available information on social and affordable housing supply in Greater Christchurch. The Livingston and Associates report identified 8,710 social renters across the three councils, with Christchurch having 8,450 of the total homes⁷. From interviews with providers and publicly available information, we have identified current supply of 9,768 as at 30 June 2020.

Table 3: Current social and affordable housing supply in Greater Christchurch

	Public housing	Transitional housing	Assisted rental	Progressive home ownership	Total
Christchurch	7,168	335	1,896	51	9,450
Selwyn	13	0	14	0	27
Waimakariri	174	0	117	0	291
TOTAL	7,355	335	1,690	51	9,768

The change in affordable supply is driven by newly built homes delivered by Kāinga Ora as part of their on-going replacement of earthquake damaged homes, newly built and leased homes from Community Housing Providers, the inclusion of progressive home ownership, and the significant increase in leased homes used as transitional housing.

The spatial distribution of social and affordable housing is uneven across the Councils and almost entirely concentrated in Christchurch as shown in Table 3. The information summarised in Section 2.2 shows that housing demand and need exists across all three Councils. The interviews with providers reinforced the demand and need information and provided additional insight into some of the drivers. Providers noted that emergency and transitional housing are concentrating in Christchurch due to the lack of social and other services to support the households in Selwyn and Waimakariri Districts. They further noted that within Christchurch there is a further concentration in the east due to the availability of services. They expressed a concern that to best serve their clients, they are often further contributing to the current pattern. Coordinated action will be required to address this situation.

2.4.2 Planned Supply

An indication of future supply was gained from interviews with providers and other work Community Housing Aotearoa has completed to identify projects in their development pipelines for potential Covid-19 recovery funding. The following tables summarise the housing products and council areas where community housing providers operate.

⁷ Social renters include those in Kāinga Ora (formerly Housing New Zealand), local authority and third sector owned homes.

Table 4: Organisational delivery of different housing products

Housing Product	Current	Future
Emergency/Transitional Hsg	9	7
Housing First	3	3
Public (IRR)	8	10
Affordable Rental	10	11
Progressive Home Ownership	3	4

Table 5: Organisational presence in different council areas

Council area	Current	Future
Christchurch	15	14
Selwyn	5	7
Waimakariri	3	6

The interviews identified 125 new units under construction in Christchurch, but none underway in Waimakariri or Selwyn. Fourteen future projects providing 428 new affordable homes were identified mainly located in Christchurch. Providers are also considering potential developments in Waimakariri and Selwyn, but none have yet advanced beyond early feasibility or initial scoping. The pipeline projects are planned to mainly provide public housing (with IRR) although some assisted rentals are also proposed.

In addition to community housing providers, Kāinga Ora is developing plans for its work in the area. This may result in around 150-200 homes per year over the next four to five years. The typology will be mainly one- and two-bedroom units targeting couples and singles. This aligns with the current Public Housing Register demand profile.

Providers also indicated additional leasing activity from the private market and redirects of current assisted rental to public housing will continue. This will increase the numbers of transitional and public housing places, but not lift overall supply. Whilst this activity provides additional support for families in need, it does not respond to the need to build new one- and two-bedroom homes as identified in the needs analysis. This leasing activity poses several risks. First, there is no guarantee that private landlords will continue to offer their units should they see better opportunities to lease directly to households or sell the homes to realise capital gains. Also, should central government support for these programmes become constrained there could be a sudden drop in places available. Unlike the situation where providers have redirected their assisted rental properties for public housing use, there is not an owned asset that can be repurposed by the providers. The funds spent have supported the families and the landlords, but not contributed to creating a new and lasting affordable home.

The future supply is dependent on funding decisions made by central government. The priorities for the allocation of public housing subsidies is contained in the Public Housing Plan 2018-2022⁸. An update to reflect the increased funding from Budget 2020/21 announcements is anticipated toward the end of 2020. The current plan anticipated a total of over 900 places for the Canterbury region. Based on the potential future projects identified above, the allocation will need to be increased to permit the projects to proceed. With the rise in the number of transitional housing places and households on the Public Housing Register, this additional allocation is expected to be made. Whether the settings also include additional changes which address provider capital constraints and perceived low rental caps is unknown.

⁸ <https://www.hud.govt.nz/community-and-public-housing/increasing-public-housing/public-housing-plan/>

The identified future supply will not address the cumulative undersupply noted in Section 2.2. It also does not address the concerns regarding the spatial distribution of social and affordable homes. Whilst providers express interest in developing in Selwyn and Waimakariri Districts, the tangible projects continue to be located in Christchurch. Kāinga Ora is similarly positioned to deliver new supply mainly in Christchurch, where its aging portfolio can be redeveloped through intensification of land it already owns.

2.4.3 Development comments

We queried community housing providers' views on what factors they consider when developing new homes and the constraints they face. We asked what the partner councils are currently doing which supports the delivery of social and affordable homes and other ideas to better match new supply with the identified demand. They stated the need for a vision of the housing and related social infrastructure to deliver good community outcomes. This type of plan could help coordinate activities across the community housing providers and Kāinga Ora to ensure effective use of resources and potentially reduce competition.

The common theme that emerged from community housing providers regarding the preferred type of development is for a smaller site that fits within an existing neighbourhood. Providers described a preference to see social and affordable homes spread throughout suburbs in locations near transit, shopping, services etc. They are generally looking for small sites, ideally 5-6 up to a dozen or so units. These would be integrated into the communities based on urban design principles. Affordability of rent is important, but providers also need to consider the cost of living in the house – travel costs to school/work, utilities, etc.

As noted in Section 2.3, providers are concerned the about concentration of social and affordable housing, therefore looking for these smaller sites. They are open to developing as part of a larger site if it were mixed-income and mixed-tenure. The Goulding Avenue site developed by a group of providers on a site sold by Christchurch Council is an example of this type of development⁹.

When discussing constraints, providers commented repeatedly on the central government funding settings as the primary obstacle to their ability to build new homes. They said that the market rents set for the area are out of date and too low. Many said they are capital constrained and this further limits their options to leasing existing homes instead of building new. The ideas expressed for what the councils can do are discussed below.

Table 6: Policies and interventions to support new affordable homes

Policy / intervention	Providers identifying
Land contribution / lease	10
Development Fee waiver/deferral	9
Priority consenting	8
Council lending	7
Inclusionary zoning	5
Increased density	3
Infrastructure provision	2
Remove / restrict covenants	1

⁹ https://christchurch.infocouncil.biz/Open/2018/08/HSTF_20180813_AGN_2342_AT_WEB.htm

Land contribution / lease: Accessing suitable development sites was the most common form of support indicated by housing providers. They expressed a variety of ways this support could be delivered through favourable access to Council-owned sites (assuming there are no other prior obligations over the land), deferred settlement terms or long-term leases at nominal rates. In addition to accessing land, there is also a desire to build affordable homes in more neighbourhoods and Council support with land is seen as a means to achieve this.

Development fee waiver / deferral: The Christchurch Council's development contribution scheme was cited as a positive contributor to the delivery of affordable housing. Extension of this type of support to Selwyn and Waimakariri would be welcomed. Providers noted that both waivers and deferrals of consenting fees and development contributions lower their cost of building new homes. Several also commented that the fixed per unit costs of development contributions makes provision of smaller units relatively more expensive compared to larger ones. They suggested a sliding scale to recognize that a one- bedroom flat will not utilise the same amount of water and sewerage services as a four- bedroom home. For these programmes, providing a commitment of any Council contribution up front at the time of consenting with an 18 to 24- month timeframe to complete the work is suggested.

Priority / flexibility in consenting: Providing a priority for consent processing and also more flexibility in the application of district plan rules to affordable homes are other supports desired. Easing of parking requirements was mentioned as helpful where small units are developed, especially if serving pensioners and in proximity to transit. Ngāi Tūāhuriri Rūnanga identified the constraints district plan rules place on their ability to develop Kāinga Nohoanga. The ability to develop their land and live as Māori is not supported within the current planning frameworks. Changes to planning rules to facilitate extended family and small community living is supported by other organisations. This enhancement of inter-generational living can directly support the demographic shift toward older households.

Council lending: Access to lower cost debt through Council lending is another action with strong support. The Christchurch Council's lending to the Ōtautahi Community Housing Trust that is cost neutral to ratepayers but less expensive than commercial debt was mentioned by many providers. As current central government housing support is based on a rent subsidy, providers incur significant debt loads to develop new homes. Longer term and lower cost debt is a tangible boost to their ability to increase supply. Councils could target their lending to achieve desired product and typology goals responding to housing needs.

Inclusionary zoning: Many commentators expressed concerns about the type of developments routinely coming to the market with a single form of tenure and uniform typology of large homes. A desire to have affordable and accessible homes in all new developments was expressed. They felt that inclusionary zoning would deliver mixed tenure communities with the types of smaller, affordable rental homes responding to the needs they see. The success of this model overseas and also in Queenstown was mentioned.

Increased density: Providers identified the ability to construct at medium densities as desirable when located in proximity to shops, transit, employment and services. Medium density development is seen as achievable in Christchurch City but harder in Selwyn and Waimakariri. An example was given of wanting increased density where one- and two-bedroom homes are developed potentially resulting in more units but with the same total bedroom count if larger homes were on the same land area. Density limits were identified as a barrier to the development aspirations of Ngāi Tūāhuriri Rūnanga on their rural landholdings.

Infrastructure provision: The timely and adequate provision of infrastructure to service new development is a high concern of Ngāi Tūāhuriri Rūnanga. They noted that the infrastructure planning requirements do not align with their Kāinga Nohoanga plans. Their land in rural areas is considered poorly serviced whilst other subdivisions are growing nearby.

Remove / restrict covenants: Although outside of Councils' current ability to regulate, the impact of covenants on affordable housing was noted. Requirements for minimum sections sizes, home sizes, exterior materials, etc. are seen as excluding any smaller, affordable homes from many new developments.

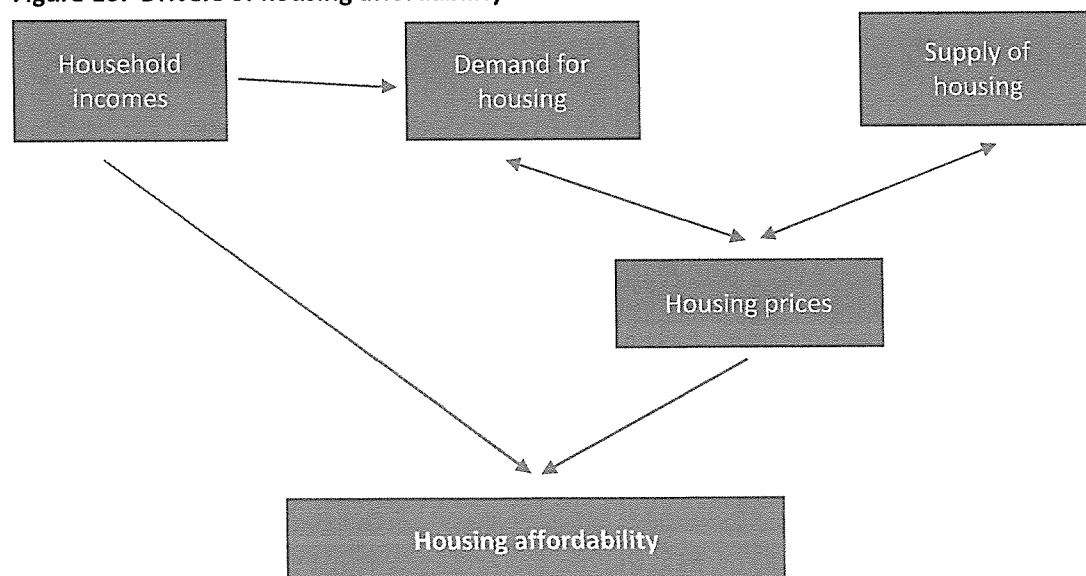
3. Drivers of declining housing affordability

This section provides an overview of the factors impacting on housing affordability. It also discusses changes in the production of lower value housing in New Zealand over time and some of the differences in the rental and owner-occupied housing markets.

3.1. Overall

Housing affordability is a relationship between households' ability to pay for housing (incomes) and the price of buying or renting a home. The price of buying or renting a home is in turn a reflection of the balance between demand for housing (which is partly a function of incomes) and supply. When demand for homes exceeds supply, prices rise. And when prices rise faster than incomes, affordability deteriorates. As noted in the *Housing Demand in Greater Christchurch* research report, prices have been rising faster than incomes in the Greater Christchurch area. Figure 10 illustrates these relationships.

Figure 10: Drivers of housing affordability

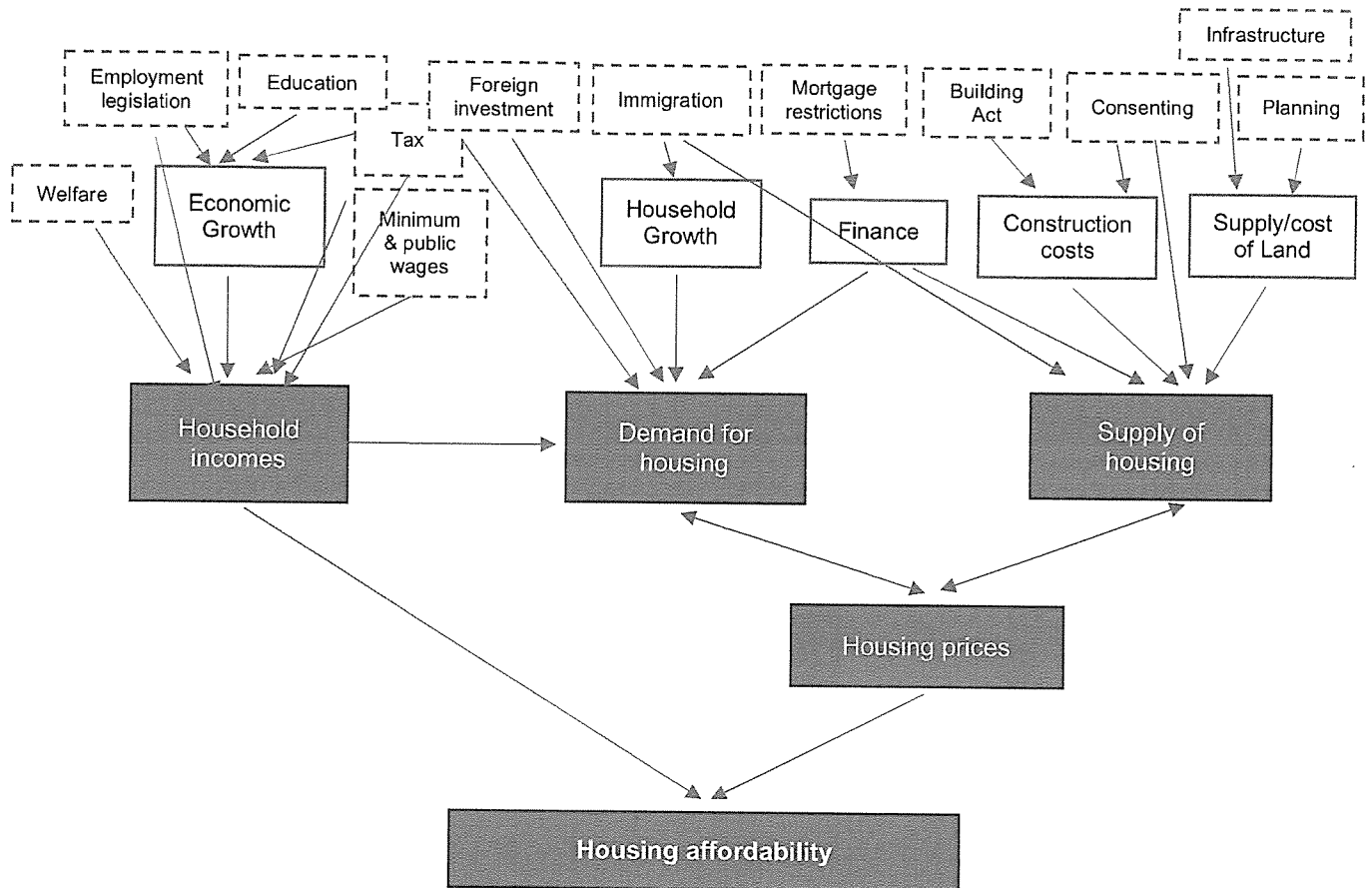


The housing market is also affected by what is going on with markets for land, infrastructure, building materials, construction and finance, as well as central and local government policy. For example, generous immigration policy, preferential tax treatment and low mortgage rates all stimulate demand for housing; while shortages of developable land, construction sector bottlenecks and lack of competition in the building materials industry constrain the supply of housing and add to its cost.

Figure 11 illustrates such broader drivers and public policies that affect demand for and supply of homes, prices and household incomes. Most of the policy levers are in the control of central government, but local authority planning and infrastructure are also key. Therefore, it is

important to monitor these varied drivers and changes in government policy to understand impacts on local authority activities. Settings should be adjusted when external factors impact on the effectiveness or outcomes of local policies.

Figure 11: Drivers of housing affordability and policies that affect these drivers



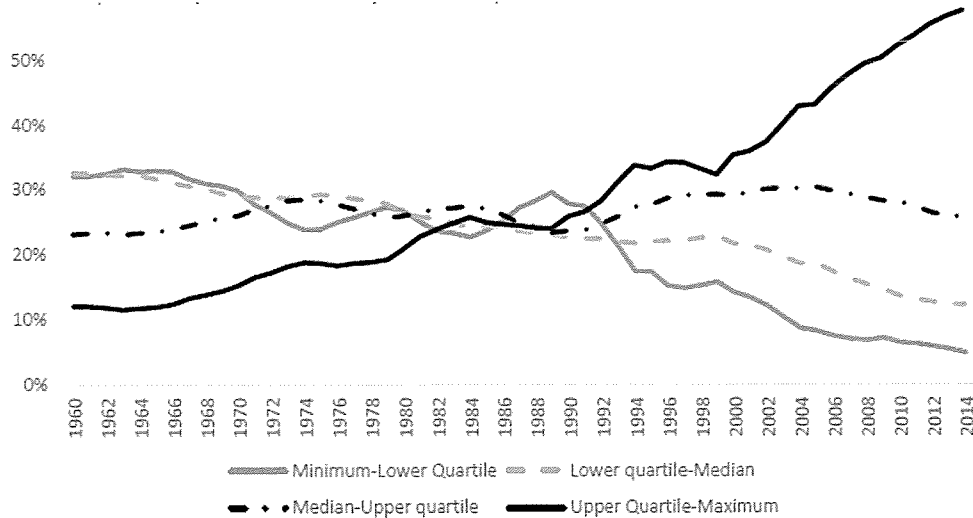
The housing market also comprises sub-markets for different typologies, tenures and value.

3.2. Lower value housing

Most of the new houses constructed in New Zealand between 1960 and 1990 were low to median value family homes. This corresponds with a time when the Government both built significant social housing and provided capital assistance for new house construction, including subsidized loans and the capitalization of the universal family benefit. After 1991 when these supports were withdrawn and housing policy reformed, the construction of low – median value homes rapidly declined. By 2014 over half of the houses built were in the upper quartile of value and less than 20 percent low-median value (see Figure 12)¹⁰.

¹⁰ Saville-Smith, K. (2018) *Following the money: Understanding the building industry's exist from affordable housing production*. Centre for Research Evaluation and Social Assistance. Research Bulletin. National Science Challenges Better Homes, Towns and Cities. Porirua. (Data provided by the New Zealand Productivity Commission).

Figure 12: Proportions of new house builds by quartile of value 1960-2014



This situation is not the result of changes in Government policy alone. Since the early nineties overall housing costs have increased, and shortages of homes relative to demand have emerged. This has reduced both overall affordability and the proportion of lower value new house builds as developers focus on the highest margin products first.

There also appear to be particular constraints or disincentives to building lower value homes in New Zealand, including:

- High land costs and preferential tax treatment, which incentivize maximum capitalization
- Planning constraints on density
- Covenants on minimum size, typology and materials¹¹
- Fixed costs (including development contributions and consent fees), which are a more significant share of lower value homes
- Higher per-square metre costs for building multi-storey and attached dwellings, because of more planning and Building Code requirements, scaffolding, etc.
- Greater difficulty obtaining finance for small homes and apartments.

Some of these constraints or costs have grown in recent years.

3.3. Rental and owner-occupied housing

The markets for rental and owner-occupied housing overlap.

In New Zealand, most new homes are built for owner-occupiers (who have higher incomes than renters and are older and more likely to be pakeha). The homes may be made available for rent years later. Consequently, rental homes tend to be older and of poorer quality in terms of their energy efficiency and other attributes. They may also be less likely to meet the needs of current household types. The best located and quality rental homes are increasingly being made available as holiday rentals, which earn a premium.

¹¹ According to Hattam and Raven (2011), *My House My Castle*, Selwyn and Waimakariri have the highest proportion of covenants per title in New Zealand. Most of these covenants have minimum size constraints contributing to an average house size of around 200sq metres: the average in New Zealand has been declining since 2010 to about 160sqm.

Homes move in and out of the rental market, depending on the relative demand for owner-occupied housing and whether new home construction is keeping up, and on house prices and rents.

Shortages of houses for sale relative to demand drives up their prices, and shortages of rental homes drive up rents. In many parts of New Zealand house prices are increasing more rapidly than rents. Purchasers are borrowing more and for longer, with the expectation they will realise a capital gain in the future and their incomes will grow. The ability of rental households to pay higher rents is more limited, and they will often instead rent a lower quality home, crowd or shift instead.

In New Zealand most investors in rental housing tend to be small-scale “mum and dad” owners of multiple homes. These people are not professional landlords and even where they are represented by a management company, they are more motivated by capital gain than rental income. The significant and growing gap between house prices and rents reinforces this. In many parts of New Zealand rental yields do not cover the costs of home ownership and the return on investment is only realised at the point of sale.

The gap between house prices and rents also represents the hurdle faced by rental households trying to save to buy their first home. And it reflects the gap between those that have and those that have not. The Ministry of Social Development’s annual report on wellbeing¹² describes how the rapid increase of house prices has magnified inequality, as renters face diminishing prospects of accessing the traditional source of wealth accumulation in New Zealand – property.

Housing provides owners with their major form of investment, as well as a home and shelter. But renters are only able to access shelter, and this may be of poor quality or not meet their needs. This group is growing as rates of home ownership fall.

Affordable housing policies need to be designed with these market dynamics in mind.

4. Good practice social and affordable housing initiatives

This section provides an overview of international and New Zealand macroeconomic settings and recent government policy influencing housing affordability. It then offers criteria and objectives of ‘good’ affordable housing initiative with descriptions and examples of each.

4.1. Macro settings

4.1.1 International

Housing affordability is declining in cities around the world, but many are better placed to deal with this than New Zealand because of their macro policies, history and size. For example:

- Most countries tax capital gains from property, like other assets
- Secure and quality rental tenure is common in countries where the state rebuilt significant parts of cities after the second world war - comprising over half of all dwellings in Germany and 40 percent in Denmark and the Netherlands¹³

¹² Perry, B (2018) *The material wellbeing of NZ households: Overview and key findings*. Ministry of Social Development, Wellington.

¹³ although 65% of dwellings are owner occupied on average across the OECD.

- In the United States, United Kingdom and Australia construction costs are relatively low because of scale efficiencies that enable mass production, competition and innovation
- Over the last decade population growth rates for OECD members average 0.5 percent per annum (less than half the New Zealand growth rate).¹⁴

Internationally, local governments play a significant role in affordable housing, especially in the UK, Netherlands, Sweden and Germany where such responsibilities have been devolved to state and municipal governments¹⁵. This is consistent with the broad role of local governments and income transfers to them from central government in these places.

Independent not-for-profit organisations are also significant players in European countries, as sizeable non-state providers of social housing with roles that are mandated in legislation. In the Netherlands, 75 percent of rental homes are owned by not-for-profit Housing Associations. There are 1700 housing associations in the UK, while housing associations are the only providers of new social and shared ownership homes in Northern Ireland. Owner-occupier and tenant-owned housing cooperatives own 22 percent of the housing stock in Sweden.

4.1.2 Aotearoa New Zealand

One unique feature of New Zealand is its cultural history and the Treaty of Waitangi. Treaty settlements and emerging public policies seek to redress a situation where Māori were dispossessed of their land, and now have much lower rates of home ownership than Pakeha New Zealanders. The Crown and some local authorities are partnering with iwi providers of housing that have a distinct world view and solutions. Amongst these is the desire to establish Kāinga Nohoanga (Papakāinga) on collectively owned Māori land, which include¹⁶:

- Provision for whānau: where extended families can live in close proximity to one another and build strong networks and relationships
- Allowance for the construction of a mixture of housing types and densities
- Traditional structures such as marae, commercial, social and community facilities and the enablement of customary activities.

Otherwise, most of the affordable housing initiatives common overseas are transferable to New Zealand, but to date we have used fewer of them to respond to declining affordability. We have focused on market home ownership at one end of the spectrum, and social housing for households in the greatest need at the other. We used to have one of the highest rates of home ownership in the OECD but at 64.6% during the 2018 Census this is no longer true. Despite the significant share of households that rent market homes, comparatively little resource goes into assisting them.

New Zealand has journeyed from relatively active intervention in the housing market after the second world war, to a *laissez-faire* approach from the 1990s when the Government:

- Removed capital assistance to new houses
- Reduced state house construction and deferred maintenance of existing stock

¹⁴ <https://data.worldbank.org/indicator/SP.POP.GROW>

¹⁵ Collins, N. (2016) *Delivering affordable housing at scale: Lessons from Europe*. A report prepared for the Ministry of Business, Innovation and Employment. Beacon Pathway, Auckland

¹⁶ Mahaanui Kurataiao Ltd (2018), *Waimakariri District Plan: Council District Plan Review - Kāinga Nohoanga*

- Introduced market rents for state houses, along with the income related rent subsidy (IRRS) for providers and the accommodation supplement to top-up incomes of renting households
- Required Housing New Zealand to return a dividend and expanded responsibility for provision of social housing to community housing providers.

The Government is now re-growing its role in housing, with the establishment of Kāinga Ora, the Urban Development legislation, significant state housing and urban regeneration programmes, and new homelessness and progressive home ownership programmes.

Central government has been the main funder and provider of social housing here, reflecting its dominance in providing social services that in other countries are often devolved to the local level. Some fifty years ago central government provided local authorities with capital assistance to invest in social housing for single, low income older people and most still have these assets. In recent years government has subsidized community housing providers to provide some social housing. But Government provision still dwarfs the contribution of both sectors.

Local authorities have a more concentrated “services-to-property” role here than in other parts of the world, controlling land use regulation and funding infrastructure. The impact of this on housing affordability has only recently become the subject of attention.

4.1.3 National Policy Statement on Urban Development

The Government introduced the National Policy Statement on Urban Development Capacity at the end of 2016, to improve the impact of local government’s core functions on housing affordability. It required local authorities to provide sufficient opportunities for development in their Resource Management Act plans, supported by infrastructure, to meet projected growth in demand for housing and business land. It also required councils that share planning responsibility over housing markets to work together (as the Greater Christchurch Partnership councils do) to:

- Assess and monitor the sufficiency of development opportunities against demand for housing and business land in the short, medium and long term, and
- Prepare a future development strategy for the next 30 years.

This has resulted in some local authorities (including Selwyn and Waimakariri District Councils) needing to undertake plan changes and/or bring forward infrastructure spending to ensure enough development opportunities in the next 10 plus years.

A replacement National Policy Statement on Urban Development 2020 (NPS-UD) came into force in August 2020, with new requirements that should further enable the development of affordable housing. We include responding to these requirements in our recommendations. They are summarised in Table 7.

Table 7: National Policy Statement on Urban Development – key new requirements of councils

New policy requirement	Intended outcome
<p><i>3.23 Housing and business development capacity assessment</i></p> <ul style="list-style-type: none"> Must now include analysis of how the relevant local authority's planning decisions and infrastructure affects the affordability and competitiveness of the local housing market. This must assess how well the current and likely future demands for housing by Māori and different groups in the community (such as older people, renters, homeowners, low-income households, visitors, and seasonal workers) are met, including the demand for different types and forms of housing (such as for lower-cost housing, papakāinga, and seasonal worker or student accommodation). Must assess sufficiency of development capacity for housing by comparing it to demand by location and typology, as well as in total. 	<p>Planning is better informed about housing needs and therefore more supportive of housing affordability</p>
<p><i>2 and 3.2 Sufficient development capacity for housing</i></p> <p>Where "sufficient development capacity" must now "reasonably be expected to be realized" as well as plan enabled, infrastructure-enabled and commercially feasible from the developers' point of view</p> <p><i>8 and 3.8 Unanticipated or out-of-sequence developments</i></p> <p>That add significant development capacity must be given particular regard</p> <p><i>11 and 3.38 Car parking requirements</i></p> <ul style="list-style-type: none"> District Plans must not set minimum car parking requirements Local authorities strongly encouraged to manage effects associated with the supply and demand of car parking through comprehensive parking management plans. 	<p>Increase in the total supply of housing that can be developed, and reduction in costs, bringing down average price</p>
<p><i>1 Planning decisions must contribute to well-functioning urban environments</i></p> <p>...that have a variety of homes...</p> <p><i>3.2 Sufficient development capacity for housing</i></p> <p>Must now meet demand for both stand alone and attached dwellings</p> <p><i>3 Intensification</i></p> <p>Enable building heights and density:</p> <ul style="list-style-type: none"> to be maximized in the city centre of at least 6 stories within at least walkable catchments of rapid transit stops and the edge of the city centre commensurate with demand and/or accessibility in other locations. 	<p>Increased supply of homes near transit, jobs and services, including affordable homes</p>

4.2. What is a “good” affordable housing programme?

4.2.1. *Criteria and objectives*

Drawing on international literature¹⁷ and the LGNZ Housing 2030 project¹⁸, “good” affordable housing programmes appear to:

- Achieve stated objectives
- Address the drivers of declining housing affordability as well as its effects
- Respond to need, as informed by rigorous evidence
- Use public funding efficiently
- Be acceptable to public/key stakeholders
- Be achievable and low risk
- Align with the broader role and capabilities of the organization/s implementing the initiatives
- Use the range of levers available to agencies.

Our recommendations for the Greater Christchurch Partnership councils are in line with these characteristics of good affordable housing programmes.

Different initiatives will achieve different objectives. The range of objectives might be to:

- Increase the supply of affordable homes
- Reduce financial stress for households of different income levels
- Improve housing quality and tenure security for renters
- Offer households pathways to home ownership to grow their wealth
- Improve social inclusion through mixed tenure neighbourhoods
- Provide for the relationship of manawhenua and their customs and traditions with their ancestral lands.

These objectives might be underpinned by broader concerns. For example, honouring partnership with manawhenua, retaining key workers for a productive economy, or supporting a more equal society with better education and health and civic participation.

“Good” affordable housing strategies usually aim to achieve several of these objectives, depending on what the evidence says about local circumstances and need. This report recommends the Greater Christchurch partnership councils focus on helping to increase the supply of affordable homes, assisting renter households and enabling Kāinga Nohoanga.

¹⁷ Eg see Salvi del Pero et al (2016) *Policies to promote access to good-quality affordable housing in OECD countries*. OECD Social, Employment and Migration Working Papers No 176. OECD, Paris.

¹⁸ Local Government New Zealand initiated a “Housing 2030” project in 2018. It established council officer working groups focused on three aspects of housing: overall supply, social and community housing, and healthy homes. The project has produced:

- An affordable housing report and toolkit
- A local government toolkit for quantifying demand for and enabling supply of social housing
- An international desk top review of social housing
- Social housing international case studies

4.2.2. *Addressing the drivers versus mitigating the impacts of unaffordable housing*

Good affordable housing strategies aim to address the drivers of unaffordable housing (demand, supply and cost) as well as mitigating the impacts. For example, the removal of planning constraints to intensification might help address a driver of unaffordable housing by allowing lower value homes to be built. A rates rebate for first homebuyers won't increase the supply of housing, but it can give renter households a leg up.

Addressing the drivers of housing affordability has broad-brush benefits, while mitigation initiatives can be targeted to where need is greatest. Mitigation can keep low income renters from poverty or help them get access to better quality homes or a chance at home ownership.

However, focusing only on such mitigating initiatives risks them being undermined by local policies that limit housing development or contribute to its high costs. The wider the gap between the cost of housing and household incomes, the greater the need for assistance; but also the greater is the public cost of providing this assistance per household.

Policies that augment household income (such as the Accommodation Supplement, or first home-buyer deposit assistance) might in the long run even make housing less affordable¹⁹, if nothing is done at the same time to increase the supply of housing or reduce its cost. This is because such policies only increase demand and competition for the same stock of housing.

Enabling the development of more and cheaper housing allows the public and community sectors to help more households with non-market housing products. In turn these products can ensure the benefits of broad cost improvements are shared widely throughout society.

This report recommends the Greater Christchurch Partnership councils focus on initiatives that support the development of more affordable housing.

4.2.3. *Comprehensive programmes with complementary initiatives*

Consistent with the discussion above, international discourse suggests that the best local affordable housing initiatives are actually *packages* of actions that:

- Respond to up-to-date evidence about the current and future housing needs of different groups in the local housing market
- Have multiple objectives and span the housing continuum from housing the homeless, through assisted rent and home ownership, and include some focus on housing quality and community development
- Use regulation, infrastructure and tax policies that support increased development of market affordable housing; and advocacy, funding, land and direct provision of non-market housing and services
- Involve partnership between different levels of government, not-for-profits and the private sector across the geographic area of the housing market, with strong leadership
- Operate at sufficient scale to make a difference.

¹⁹ The Accommodation Supplement is sometimes criticised for being a "landlord's subsidy" enabling rent increases that end up requiring greater Government expenditure.

This report recommends the Greater Christchurch Partnership works with central government (including Kāinga Ora), community housing providers and property developers, and that the councils make fuller use of their planning, finance, land and advocacy to support affordable housing.

4.3. Specific housing initiatives

Table 8 groups housing initiatives into three different categories depending on whether they:

- Support increased supply of affordable homes
- Assist rental households, or
- Assist households into partial or full home ownership.

Table 8: Initiatives that support provision of affordable homes or make homes affordable

Research, strategy, partnerships & advocacy	
Increased supply of affordable homes	
Enabling regulation & infrastructure Affordable housing planning requirement on developers Financial incentives for developers/community providers Land Papakāinga/Kāinga Nohoanga	
Purchase/provide social/affordable rental homes Build-to-rent	Rent-to-buy, Shared equity, Leasehold & Co-housing developments
Assisted rent	Assisted ownership
Quality standards, tenure protection & rent controls Rental subsidies for tenants Tax relief (for landlords) Ready to rent programmes Quality improvement programmes Emergency/transitional housing	Deposit assistance Mortgage guarantees Rates rebates Subsidies for improvements

Some may be local authority initiatives while others are provided by the state, federal or central government. Each of the initiatives is summarized below²⁰, to inform the Greater Christchurch councils advocacy to central government as well as their own practices.

4.3.1 Research, strategies, coordination and advocacy

a) Research

A few local authorities have undertaken comprehensive and up to date research to understand housing demand and need in their community now and into the future. This research uses the “housing market continuum” framework, house price and rents data, Census data on household

²⁰ See Salvi del Pero et al (2016) *Policies to promote access to good-quality affordable housing in OECD countries*. OECD Social, Employment and Migration Working Papers No 176., Paris; and Collins (2016) *Delivering affordable housing at scale: Lessons from Europe*. MBIE. Beacon Pathway, Auckland.

type and income and household projections. Some of this was included in their first housing and business development capacity assessments under the NPS-UDC. Examples include:

- **Auckland.** *The intermediate housing market and affordable housing trends in Auckland 2019 (and 2020 update)*
- **Waikato region.** *The Waikato region housing initiative 2018 housing stocktake*
- **Tauranga/Western Bay of Plenty.** *Housing demand and need in Tauranga and Western Bay of Plenty*
- **Greater Christchurch.** *Housing Demand in Greater Christchurch*
- **Waimakariri.** *Housing need and demand in Waimakariri District.*

This report recommends the Greater Christchurch Partnership councils update their work, to provide more detail and explore why more affordable homes are not being built, including the effect of council planning and infrastructure, in line with NPS-UD requirements.

b) Strategies

Many of New Zealand's local authorities have housing policies that set out their approach to providing social housing. However, only a handful have good, broader strategies that explore a range of ways they can, with others, help address the spectrum of needs across the housing continuum. These include:

- **Rotorua:** *He Papakāinga, He Hāpori Taurikura Te Poupou Rautaki HOMES AND THRIVING COMMUNITIES STRATEGIC FRAMEWORK*
- **Central Hawkes Bay.** *Central Hawkes Bay District Housing Strategic Framework 2019-29*
- **Wellington City.** *Housing strategy and action plan*
- **Queenstown Lakes District** *Mayoral Housing Taskforce report*
- **Dunedin:** *Mayors Taskforce for Housing*
- **Southland/Invercargill.** *Southland housing strategy report.*

This report recommends the Greater Christchurch Partnership councils together develop such a strategy using this report and an updated evidence base.

c) Partnerships

Local authorities participate in three different levels of partnership relevant to this report:

1. Strategic urban growth partnerships like the Greater Christchurch Partnership, with other local authorities and iwi and sometimes with Government. These also exist in Auckland, Western Bay of Plenty (*Smartgrowth*), Greater Hamilton (*Futureproof*), Hawkes Bay (*Heretaunga Plains Urban Development Strategy*), Wellington (the *Wellington Regional Growth Framework*), Nelson-Tasman, and Queenstown (*Grow Well/Whaiora*). These processes deal with significant, broad decisions shaping future development. Housing affordability is often an implicit and high-level concern.
2. Affordable housing or homelessness partnerships with community housing providers, district health boards etc., which share information and/or deliver some programmes jointly. Examples include the *Auckland Community Housing Providers Network*, *Te*

Waipounamu Community Housing Provider Network, Housing Connections (Auckland emergency housing providers), *Rough Sleepers Steering Group* (Auckland) and *Housing First* in Auckland, Christchurch, Tauranga, Rotorua, Hamilton, Blenheim, Wellington and Whangarei and *Arohanui ki te Tangata* (Māori Housing First providers).

Smartgrowth has brought urban growth and housing affordability together, establishing a Housing Affordability Forum as part of its governance structure. (The Smartgrowth framework also includes a Property Developers Forum). These fora have provided a vehicle for community housing providers and property developers to bring detailed information to decision-makers to influence drivers of housing affordability. The Greater Christchurch Partnership could explore integrating such fora into its structure.

3. Auckland, Dunedin and Queenstown have also pursued Mayoral affordable housing taskforces including the participation of the private sector and community housing providers. It is unclear whether these will endure.

d) Advocacy

The Mayoral affordable housing taskforces have invited Government to reform funding for health and education, the Building Code, Unit Titles Act, building consents process, the Accommodation Supplement and social housing registration process, but changes have yet to be seen. LGNZ has also advocated to Government on Residential Tenancies Act reform, the NPS-UD, Infrastructure funding and financing, Building Act reform and access to the Government's Income Related Rent Subsidy for council owned housing, with limited success.

Local authorities in Auckland, Hamilton and Tauranga have used growth partnerships to obtain government funding or new local funding tools for infrastructure. Local authorities across New Zealand also successfully bid for funding for "shovel ready" infrastructure projects that support new housing, as part of the Government's \$3b Covid-19 Response and Recovery Fund.

This report recommends the Greater Partnership councils identify the key issues they wish to advocate to Government on and explore a range of vehicles to do so. For example, they could participate in an LGNZ advocacy programme on inclusionary zoning (see later) and covenants. They could explore working with Community Housing Aotearoa, Te Matapihi and the New Zealand Property Council to advocate for policy changes that would incentivize the development of more affordable homes, including Build-to-Rent (see later). They could also invite relevant government agencies to participate in the Greater Christchurch Partnership (for example Kāinga Ora and MSD to plan more social housing and social services in Selwyn and Waimakariri).

4.3.2 Increasing the overall supply of affordable homes

a) Resource Management Act planning and infrastructure that enables more homes

The NPS-UD encourages local authorities to remove planning and infrastructure constraints to developing housing, including more intensive housing in areas of high demand. This should improve overall housing affordability and provide opportunity to build more lower value homes. Auckland, Wellington City and the Greater Christchurch councils have all been making significant plan changes and infrastructure investments in line with this direction.

b) Affordable housing planning requirements

As well as *enabling* affordable housing, councils can impose planning regulations that *require* developers to set aside a share of their development for affordable homes and/or desired typologies. These regulations are called “inclusionary zoning”, “value capture” or “minimum affordable housing” policies, depending on the details of their design.

These planning requirements usually have at least one of two objectives:

- **Affordable housing:** to increase the city-wide supply of housing available for and within the financial means of low-income households
- **Social inclusion:** to facilitate mixed income or housing tenure communities at the neighbourhood level. This was the primary driver of the first planning requirements introduced in the United States as “Inclusionary Zoning”. They were designed to offset the “exclusionary” effects of other policies such as planning constraints on apartment building, and gentrification resulting from infrastructure development. Alternatively, the state of New Jersey disallows planning policies that have an exclusionary effect.

Different approaches use different definitions of affordable housing, and may demand housing, land or (sometimes) payment in lieu of direct provision. In some jurisdictions the requirements are mandatory while in others they are voluntary and incentives-based and packaged together with other affordable housing initiatives. There are many other ways that the planning requirements can vary in their design (see Table 9 for some examples).

Table 9: Choices in the design of affordable housing planning requirements

Coverage	Definition of affordable	Percentage	Delivery form	Retention mechanism	Cost offsets
Mandatory or voluntary	Relative to market prices	5%? 15%?	Home (of different sizes, and for rent, shared equity or ownership)	No retention mechanism	No cost offsets
City-wide or select zones	Within 30% of income of market renter households	Determined by overall target, share of market renter households or development feasibility	Land	Covenant	Faster consenting
Minimum development size (eg 15 dwellings)	Homes reserved for market renters who can't afford to buy	Site-specific depending on existing tenures and objectives	Financial contribution	Pass to not-for-profit to:	Delayed development contributions, targeted rates, grants
			On-site or off site allowed	-Retain home for rent or -Recycle share of capital gain	Planning incentives, eg rezoning, density bonuses, reduced requirements

These planning requirements can provide funding for affordable housing. However, councils need to fund enforcement, monitoring and any measures to offset costs to developers.

Such regulations have been common in the United States since the 1970's and now apply in over 500 American cities. They spread to Canada, Europe, India and South Africa from the 1990's and are significant in England.²¹

In New Zealand the Environment Court and the High Court have ruled that affordable housing requirements fall within the scope of the Resource Management Act. Two examples of such requirements have been implemented²²:

- The Queenstown Lakes District Council affordable housing requirement operative since 2013. This is triggered by plan changes, and developments in low density zones or which would breach density, height, minimum lot size and coverage rules.
- Councils have required affordable housing in Special Housing Area developments.

The Queenstown experience suggests that opposition from developers and residents could significantly compromise the design of such a policy, if not prevent it altogether, in other local authority areas. LGNZ has adopted a remit to ask Government to *“introduce legislation that would fully enable Councils to address housing affordability in their communities through a range of value uplift and capture tools, one such tool being ‘inclusionary zoning’”*.

Christchurch City Council supported this remit. We recommend the three councils consider inclusionary zoning across the greater Christchurch area. If it were only pursued in the city it could just incentivise development to shift to Selwyn and Waimakariri.

Significant thought would need to be put into a well-designed policy that would achieve intended outcomes, and to convince Government. The councils should compare inclusionary zoning alongside other options that address the reasons why more affordable homes aren't being built, potentially including covenants and the Building Code.

Further information about affordable housing planning requirements is attached at Appendix 1.

c) Financial incentives

Local authorities have various ways of providing financial incentives for the private or not-for-profit sector to build affordable homes. These include underwriting or delayed consent and development contributions, rates rebates, loans, grants and assistance with design. These incentives can be “rates-neutral” if they utilise the councils' ability to borrow at long terms and low interest rates or are funded by an inclusionary zoning planning policy.

Nevertheless, there are relatively few examples of local authorities providing such incentives in New Zealand. Some examples of these are:

- Christchurch City Council has provided long term loans to the Ōtautahi Community Housing Trust totaling \$55m, to build 215 new social houses. The Council also forgoes approximately \$1m per annum in development contributions and rates for community organisations that provide new affordable housing.

²¹ Ayyagari, R.V. (2018) *Affordable housing through inclusionary zoning – case of Auckland*. A thesis published in partial fulfilment of the requirements for the degree of Master of Environmental Planning. University of Waikato, Hamilton

²² New Zealand Productivity Commission (2015) *Using Land for Housing*. New Zealand Productivity Commission. Wellington

- Hamilton City Council has put up \$2m seed funding (from \$23.5m it received from sale of its pensioner housing stock), to establish a community housing lands trust to partner with existing community housing providers and iwi.
- Nelson City Council provides a three-year 50 percent rates remission for registered Community Housing Providers of affordable and social housing, and for kaumatua housing on the Whakatū marae. It has also just announced a \$50,000 fund to subsidise the regulatory costs associated with converting second stories of commercial properties into residential ones.
- Rangitikei District Council provides a rates rebate of \$5,000 for new builds and relocatable housing to help boost the supply of homes in the District.
- Hutt City Council waived development contributions for medium to high density developments (not targeted to specific locations or price levels). Developers ignored this initiative until the market made such developments viable: now it is fully subscribed.

There is scope for the councils to make greater use of financial incentives to encourage affordable housing for a range of tenures across the greater Christchurch area.

d) Land

Across Europe and the UK, local authorities and transport agencies have been partnering with state and central government and the private sector to develop old port and industrial areas, and as part of this catalysing affordable housing developments. Generally, they have provided the underlying land as “patient capital” or on a 100 year plus leasehold basis, expecting a low rate of return but considerable say over the development outcomes. Public agencies also use public land in this way to support the not-for-profit sector and housing cooperatives to develop affordable housing.

Queenstown Lakes District Council is the only local authority with an ongoing programme of providing land for affordable housing. It obtains the land via its affordable housing planning requirement and passes this on to the Queenstown Lakes Community Housing Trust. The Trust develops affordable rental and ownership homes on the land. It is using a ground-lease model for its assisted ownership homes to retain long term affordability.

Other local authorities or their property companies have explored making surplus land available for affordable housing from time to time. For example, Panuku provided its land and partnered with Te Ākitai Waiohū and the New Zealand Housing Foundation, Te Tumu Kāinga and CORT Community Housing, to build 300 homes at Barrowcliffe in Manukau. Christchurch City Council offered surplus land at Goulding Avenue to a consortium for social housing. Selwyn District Council’s policy statement on social housing explores the use of land in some detail, but this has not yet been acted on.

We recommend the councils explore site specific options for making greater use of their property portfolios (including on a leasehold basis) to support Kāinga Ora, community providers and iwi to develop more social and affordable homes across the greater Christchurch area.

e) Kāinga Nohoanga (Papakāinga)

Kainga Nohoanga (Papakāinga) in its fullest sense is the development by tangata whenua on their traditional rohe for residential, social, cultural, economic and recreational activities on collectively owned land. Papakāinga can offer whānau and hapu members more affordable

housing: it is also a way of strengthening their relationship with their culture and traditions with their ancestral lands.

However, the land may be located in areas with district plan rules that limit housing density and non-residential activities. A small number of councils have addressed the planning issue through specific papakāinga zones, which can be applied to Māori land in the district²³. Auckland Council has good planning policies that support the development of papakāinga or Kāinga Nohoanga in its fullest sense.

Far North District, Auckland, Hurunui District, Rangitikei District and Rotorua Lakes District Councils provide rates remissions on Māori land occupied by papakāinga. Palmerston North City Council has waived development contributions for urban papakāinga providing rent-to-buy on former state housing land.

Auckland Council also has a Cultural Initiatives Fund of \$1.2m per annum for Papakāinga and marae upgrades and development. This covers planning and design, professional fees, capital infrastructure, marae maintenance and repair, business planning and asset management. The Council has a papakāinga design manual and its Māori housing unit also helps whānau and hapu and Māori organisations navigate the processes of developing papakāinga.

The Northland councils, Waikato Regional and District Councils, Tauranga City and Western Bay of Plenty District Councils provide papakāinga toolkits and workshops that provide information about these processes.

As outlined earlier in this report Te Ngāi Tuāhuriri Rūnanga identifies several constraints to developing Kāinga Nohoanga. While the Christchurch City District Plan is generally enabling the Selwyn and Waimakariri District Plans are not, and infrastructure is a constraint across the greater Christchurch area. We recommend the councils work with the Ngāi Tuāhuriri Rūnanga to identify actions they should take to support Kāinga Nohoanga in its fullest sense, including some of the above examples.

4.3.3 Increasing the supply of rental housing

a) Social/affordable rental homes

Most OECD countries provide social or affordable housing – either directly or via subsidies to providers – and it is one of the housing measures they spend the most on. Social housing was very much a post-war response to extreme housing shortages and the need to rebuild cities.

In Europe local authorities own the majority of the social housing stock, although there has been a general process of moving away from public provision with a greater role for the not-for-profit sector. In general, the provision of social housing guarantees a standard of housing quality that meets households needs, although it can constrain mobility.

While in New Zealand central government is the main social housing provider, most local authorities provide some social housing for older people. This is a legacy of a tacit division of responsibilities between central and local government post world war two. The Government provided three- and four-bedroom state houses for working families, and subsidised councils to

²³ Ministry for the Environment. 2018. *National Planning Standards: Tangata Whenua Provisions in Resource Management Plans*. Wellington: Ministry for the Environment.

develop dwellings for single, low income older people. A recent count of 67 territorial authorities found that 60 (90 percent) still own housing stock, totaling 12,881 mostly one-bedroom housing units²⁴, less than 15% of total social housing provided in New Zealand.

Government withdrew its capital assistance for local authorities to build this pensioner housing some thirty years ago. Councils are now left with a significant stock of ageing, mostly one-bedroom units. Almost half of these were built before 1977 and councils are struggling to address maintenance issues while remaining “rates neutral”, let alone diversifying to meet emerging housing needs. Despite advocacy it seems unlikely that the Government will provide subsidies to councils for social housing any time soon.

Some councils and the Government have transferred some social housing to community organisations, and Government has been providing them with income related rent subsidies (IRRS) to maintain this stock. There are now 55 Community Housing Providers registered to receive IRRS. This funding skews provision to social housing: few community providers offer affordable housing for rent or progressive home ownership at any scale.

Many local authorities that still have pensioner housing are exploring what to do with it. Local authority provision is not in of itself “good practice”. What matters is that social housing is of a type and quality and is associated with services that meet needs. Not-for-profit organisations may have better capabilities, relationships with customers as well as access to the IRRS and philanthropic funding to maintain and expand stock.

Wellington City Council is the only local authority to provide social housing for a diverse range of priority groups that include low income households, refugees and migrants, and people with psychiatric problems or physical disabilities, as well as older people.

Councils that have transferred their housing stock to community organisations but which still retain a significant interest, include:

- Auckland Council passed over its 1400 homes for older people to the Hāumarū Housing Ltd Partnership in 2017. Hāumarū is a joint venture between Auckland Council and the Selwyn Foundation. It refurbishes and manages the homes while Panuku (Council’s property CCO) undertakes development management.
- Similarly, Christchurch City Council transferred a lease over its 2300 units and land valued in total at \$50m to the Ōtautahi Community Housing Trust, which it established in 2016 and owns part of. The Trust has a five- year commercial lease agreement with Council with five, five-year right of renewals, totaling 30 years. The trust provides tenancy management services and minor repairs while the Council retains responsibility for major maintenance, insurance and capital work programmes, funded through the income Ōtautahi Community Housing Trust returns to it. The Council has also provided significant loans to the Trust to grow the social housing asset.

We recommend Christchurch City Council continue with this arrangement. It may also be a model for Waimakariri and Selwyn, which should explore the use of financial incentives and land to support the community sector alongside Kāinga Ora to provide social and affordable housing in their districts.

²⁴ LGNZ Social Housing Toolkit

b) Build-to-rent

“Build-to-rent” is a term for the development of large-scale accommodation purpose-built for rental rather than ownership, usually blocks of apartments or townhouses. In the United States investment companies finance the development and sell to investors who own shares rather than individual units. The development is rented out by professional institutional landlords that offer greater tenure security and a better maintenance record than “mum and dad” landlords.

It is an emerging industry in Europe, with some countries removing tax barriers and providing incentives to grow private investment in rental development. In recent years the UK has facilitated the completion of 16,000 homes with 20,600 more under construction, via:

- Development grants of up to 50 percent of development costs – a subsidy to developers
- A government guarantee (not a subsidy) to developers of build-to-rent projects²⁵.
- The Greater London Authority and some local councils are supporting build-to-rent through their plans and financial incentives, leveraging their low cost of borrowing and land in joint ventures²⁶.

Build-to-rent has also started gaining traction in New Zealand with a first conference focused on it a year ago, and several private firms developing hundreds of build-to-rent apartments in Auckland and Queenstown. New Ground Capital is a leading build-to-rent developer backed by the NZ Super Fund and Ngāi Tahu Property, and several investment companies are pitching to launch build-to-rent funds.

GST treatment and relatively low rents compared to development costs mean that investment returns for build-to-rent are currently low, limiting its scale at the moment.

However, the Government sees significant potential in build-to-rent addressing the shortage of rental housing, poor quality and insecurity provided by our “cottage industry”. It is apparently exploring legislative change and possibly the use of Crown land to support these developments. The greater Christchurch partnership councils via LGNZ and the NZ Property Council could advocate for these measures. They could also explore their own use of financial incentives and land to support Build-to-Rent.

4.3.3 Assisting renters

a) Tenure protection, quality standards and rent control

Overseas, local authority entities often regulate and also provide rental housing, alongside not-for-profit organisations. In New Zealand it is central government that assists market renter households, by legislating tenancies, healthy homes standards and rent increases and by providing the Accommodation Supplement. Examples of local authority assistance to renters are few and far between.

In European countries that have high rates of renting, tenants’ rights and rents are more highly regulated than elsewhere. Rental tenure is now quite high in New Zealand at around 40 percent compared to the OECD average of 30 percent. Despite recent reforms to improve healthy home

²⁵ Johnson, A. (2018) *Beyond renting: Responding to the decline in private rental housing*. The Salvation Army Social Policy and Research Unit, Auckland

²⁶ <https://www.lse.ac.uk/business-and-consultancy/consulting/assets/documents/making-the-most-of-build-to-rent.pdf>

standards and tenure security, tenants here still fare poorly relative to those in most OECD countries. The Greater Christchurch Partnership councils, via LGNZ and Community Housing Aotearoa, could support Government to build on these reforms.

Many OECD countries apply rent controls, often in select cities. There are a range of design variations, for example:

- German law allows state governments to cap rent increases at no more than 15 percent over a three-year period
- Sweden regulates rents according to the dwelling's condition including size, quality, year of construction and standard, and location.
- 15 cities in California have a form of rent control
- New Zealand has just introduced legislation restricting rent increases to no more than annually.

b) Rental subsidies

All OECD countries provide housing allowances like the New Zealand Accommodation Supplement, usually to low-income rental households, and this is another housing measure they spend the most on. A few countries provide guarantees and rent tax relief for tenants. All these measures enable tenants to choose where they live, but by themselves they don't ensure access to good-quality housing, and they may have perverse effects on rental prices.

c) Quality improvement programmes

Several councils (including Christchurch City Council) participate in Healthy Homes Initiatives led by District Health Boards in 11 areas. These Initiatives help low income families in crowded homes and areas with a high incidence of Rheumatic Fever to create warmer, dryer and healthier homes. They sit alongside the Healthy Homes standards recently introduced by Government²⁷. They involve an assessment of the home and help with getting curtains, beds, bedding, minor repairs, floor coverings, ventilation, heating sources, entitlement assessments through Work and Income, support with power bills, and finding alternative accommodation as needed. The first Healthy Homes Initiative was introduced to Auckland in 2013 and then expanded to other parts of New Zealand in 2015. Evaluations show the programme has reduced GP visits, prescriptions and hospitalisations, and the return on investment is less than two years (in reduced health costs). A final evaluation is due at the end of this year. This seems like a beneficial programme for Christchurch City to continue to support as it improves life for renters in need.

The Hawkes Bay District Health Board also coordinates a "Ready to rent" programme that upskills households about interviews and presentation, tenant's rights and responsibilities, financial management, maintaining a healthy home, and social assistance.

d) Emergency and transitional housing

As the New Zealand housing crisis has become acute, community organisations with support from some councils and Government have increasingly focused on homelessness. They find emergency and transitional housing (often in motels) for rough sleepers and people without secure accommodation.

²⁷ <https://www.hud.govt.nz/residential-housing/healthy-rental-homes/healthy-homes-standards/>

Housing First is a recent initiative. The approach is to provide housing quickly, then offer tailored support for as long as it is needed to help people stay housed and address the underlying support needs that led to their experience of homelessness. It started in New Zealand in Hamilton under the People's Project to address concerns about the growing number of people who were living on the streets or sleeping rough in 2014.²⁸ Housing First launched in Auckland with Government and Auckland Council funding in March 2017, and is now in Christchurch, Tauranga, Rotorua, Hamilton, Blenheim, Wellington and Whangarei, and being rolled out in Napier and Hastings, Nelson and the mid-far north. Christchurch City Council provides \$200,000 towards a Housing First community worker.

Government released the Aotearoa/New Zealand Homelessness Action Plan²⁹ in 2019 and as part of its response to Covid-19 it has significantly stepped up funding to keep homeless people off the streets.

The need for programmes like emergency, transitional and Housing First reflects the shortage of secure affordable rental homes. Unfortunately, the programmes aren't able to address this underlying problem, and in fact can add to the pressure on existing stock. While supporting these programmes would be in line with providing assistance across the housing continuum, we recommend the councils focus on increasing in the development of affordable homes.

4.3.4 Increasing the supply of homes for assisted ownership

At the other end of the housing continuum, progressive home ownership schemes both build new affordable homes and assist renters into owning them. These include Rent-to-buy, Shared Equity, Leasehold and Co-housing options. While more common overseas, several community housing providers offer them in New Zealand and Government has set out to expand this with a \$400m progressive home ownership loan fund. As yet only Queenstown Lakes District Council and Christchurch City Council are actively supporting these schemes.

a) Rent-to-buy

Rent-to-buy schemes offer renters an opportunity to save a deposit during the term of their tenure and then raise a mortgage to buy the home they are in. These schemes often provide access to better quality homes, for longer tenure terms and at lower rents than in the market. The purchase price might be set at the beginning of the rental period or adjusted to the market rate at the time of purchase. Sometimes a portion of the rent is converted into equity. Rent-to-buy might also move to a shared equity arrangement. Rent-to-buy schemes provide the landlord with rental income and capital which can be re-invested into affordable housing.

b) Shared equity

Shared equity programmes involve a third party (such as a not-for-profit organisation) holding a share in the ownership of a home, to help close the gap between the total value of the house and the share that a household can afford to make mortgage payments on. Once the household saves enough they can buy the remaining equity within a prescribed time and staircase into a full market ownership arrangement with the bank. Alternatively, the household and the equity holder can share the capital gain made when the house is sold (assuming its price appreciates). Often the third party has a close relationship with the household and provides other services

²⁸ <https://www.thepeoplesproject.org.nz/about-us/housing-first/>

²⁹ <https://www.hud.govt.nz/news-and-resources/news/aotearoa-new-zealand-homelessness-action-plan/>

(such as financial management) that allows them to take the risk that a bank wouldn't. Christchurch City Council has provided a \$3m grant alongside Government for shared equity delivered by the Christchurch Housing Initiative.

c) Leasehold

Long term (100 year plus) leasehold, or land invested as "patient capital" in developments, is a common instrument in the UK and Europe to facilitate the cost-effective delivery of housing. It is a less common feature of assisted home ownership programmes, but Community Land Trusts are emerging to do this in the US. The Queenstown Lakes Community Housing Trust operates a leasehold progressive home ownership model, emphasising security of tenure rather than wealth accumulation.

d) Co-housing

Owner-occupier and tenant owned cooperatives develop and maintain lower cost housing for their members because of the absence of developer fees and profit, economies of scale and shared facilities. While the cooperative owns the development collectively, members are often involved in design and development, and have an entitlement to a specific unit and shared facilities. Usually the cooperatives retain rental properties and provide security of tenure through a perpetual lease. These arrangements are common in Sweden and Germany but only a handful operate in New Zealand.

Councils' support for progressive home ownership would be in line with providing assistance across the housing continuum, although the need for affordable rentals appears to be most pressing in greater Christchurch.

4.3.4 Assisting homeowners

a) Financial assistance

Australia, the UK and Norway provide significant deposit and mortgage assistance or mortgage guarantees. Several countries have programmes to avoid foreclosure on homes owned by people in financial distress. New Zealand provides both subsidised deposits (the First Home Grant tied to Kiwisaver) and mortgage guarantees (through First Home Loans issued by banks and underwritten by Kāinga Ora). All of these initiatives can have the effect of increasing competition for houses which are in short supply, adding to pressure on prices.

Wellington City Council provides first home buyers rates remission of \$5,000 for new builds³⁰.

b) Quality improvements

Most OECD countries subsidise homeowners to improve the energy efficiency standards of the housing stock. Some provide grants to retrofit low-quality dwellings or for the needs of ageing or disabled households. The New Zealand government provides *Warmer Kiwi Home* grants to homeowners for insulation and heating.

Bay of Plenty, Hawkes Bay and Environment Canterbury regional councils, Dunedin City Council and New Plymouth, South Taranaki, Marlborough and Clutha District Councils allow residents to pay for their insulation and heating costs as part of their rates bills (at a set interest rate).

³⁰ <https://wellington.govt.nz/services/rates-and-property/rates/remission>

5. Current and planned initiatives in Greater Christchurch

5.1. Description

The Greater Christchurch Partnership commissioned evidence about housing need for its last Housing and business development capacity assessment under the NPS-UDC.

Christchurch City Council has a housing strategy which it is currently updating. The Council supports affordable housing across most of the housing spectrum.

The bulk of its effort goes into providing significant “rates-neutral” financial support to the Ōtautahi Trust to provide and expand its pensioner houses and maintaining these. It has also provided a \$3m grant for shared equity provided by the Christchurch Housing Initiative. It provides about \$1m in underwriting development contributions and rates rebates for community housing provision. And it has provided grant funding for Housing First to address homelessness. It is now exploring the possibility of imposing an affordable housing planning requirement on developers.

Selwyn District Council intends to notify a reviewed District Plan, which will allow more housing to be built, for consultation in October this year. It coordinates information sharing between community housing providers. Selwyn also has a social housing policy statement that considers land leases, swaps or release to support social housing for older people, at an acceptable financial return that takes into account social benefit. It proposes the identification of land parcels that would have a strategic advantage for the location of social housing. However, this is yet to be acted on.

Waimakariri is considering detailed analysis of its housing needs and comprehensive recommendations for changes to its District plan to better support intensification and “ageing in place”. (We repeat some of these in our recommendations for both Waimakariri and Selwyn District Councils). The council is midway through a review of its District Plan which will also allow more housing to be built. It also has 110 pensioner units that need to be modernised. The Council is considering whether it should retain these assets or sell or transfer them to another party, potentially using any sales proceeds for other affordable housing initiatives. It provides rates rebates to pensioners with limited income to maintain their homes.

5.2. Evaluation

5.2.1 Research and strategy

The Greater Christchurch Partnership has a shared evidence base about housing need. This needs to be updated and further detail provided about needs across the housing continuum of different groups in Greater Christchurch, including Māori, low income, renting, and older household, in line with NPS-UD requirements and to truly guide action.

Currently, it isn’t clear what each council’s objectives for affordable housing are, and whether the councils have shared objectives. We recommend the councils work together and with other stakeholders on a shared strategy using this report.

5.2.2 RMA Planning

The Greater Christchurch Partnership councils are collectively doing core business well. They are undertaking long term planning that anticipates growth, and zoning and servicing plenty of land for developers to meet demand for housing. Waimakariri and Selwyn District Councils are reviewing their District Plans to ensure there continues to be sufficient development opportunities in the medium to long term.

Because of this and a range of factors related to the Christchurch earthquake rebuild, in the last five years housing in Christchurch, Selwyn and Waimakariri has remained relatively affordable on average.

However, there is a shortage of affordable, smaller rental homes in Greater Christchurch and specific groups are in need, and this is what the Councils now need to focus on. It is unclear to what extent their planning might be contributing to this situation and how well placed they are to meet the forecast increase in housing needs. The Christchurch District Plan provides plenty of opportunities for intensification and for “ageing in place” (staff note that these opportunities are not being taken up), but the Selwyn and Waimakariri plans do not. A previous report to Waimakariri recommended:

1. Adopting minimum density residential zones allowing for a mix of 1 & 2-bedroom homes/attached products within a traditional development of 3 & 4-bedroom homes
2. Zoning retirement village developments so they are connected and integrated into the community and not isolated enclaves
3. Allowing existing homes to be partitioned to create multiple smaller units options
4. Providing guidelines for universal design features in newly built homes
5. Providing information regarding Accessory Dwelling Units.

We include these actions in our recommendations for both Waimakariri and Selwyn District Councils.

The NPS-UD will require all councils to enable intensification and remove car parking minima and this may reduce costs. However, it is also likely that covenants on most sections in Selwyn and Waimakariri districts particularly limit the ability to build affordable housing there, and this is something that only Government could address.

Christchurch City Council is interested in exploring an affordable housing planning requirement on development. However, this could have perverse outcomes if it were not applied across the Greater Christchurch market. If Christchurch City Council were to pursue this alone it may just encourage development in Selwyn and Waimakariri rather than the city.

Ngāi Tūāhuriri Rūnanga has identified a need for all the district plans and council infrastructure provision to more strongly support their desire to develop Kāinga Nohoanga. This report also provides examples of complementary initiatives.

5.2.3 Financial incentives and land

Moving away from planning responsibilities, there is a clear divide between Christchurch City Council which is relatively interventionist, and the two district councils which have a lesser role in providing or financially supporting affordable housing. These differences have some detrimental consequences. For example, community housing providers say that the

concentration of social housing in parts of Christchurch City has results in poor household and community outcomes, and that needs are not being met in Selwyn and Waimakariri. They also note these two districts have insufficient Government services to support social housing tenants.

Christchurch City Council appears to have successfully transferred management of its social housing to the Ōtautahi trust, which has the capabilities and access to philanthropic and government funding to both grow and manage the asset well. This could be a model for Waimakariri and Selwyn District Councils also.

Christchurch City Council has also managed to target financial assistance to increasing the supply of affordable homes across the housing continuum. However, the bulk of this is still tied up in social housing. We recommend all three councils consider providing financial assistance and using other levers (land and perhaps the affordable housing planning requirement) to encourage developers, Kāinga Ora and community providers to build more affordable homes, especially for rent.

The Greater Christchurch Partnership does not appear to utilise advocacy to central government compared to other parts of New Zealand. We recommend the Partnership identify what it most needs from Government to enable more affordable housing and explore a range of vehicles to advocate for this.

Preferably all of the councils would enroll in a greater partnership with each other, Government, iwi, community housing providers and the development sector, using the range of tools at their disposal to support more affordable housing in greater Christchurch.

6. Summary of Recommendations

An effective social and affordable housing programme to address housing needs in Greater Christchurch would involve partnerships between the councils including Environment Canterbury, central government, community and iwi/Māori providers and property developers utilizing a range of the tools at their disposal, including:

- Research to understand the continuum of housing demand across all tenures and needs of different groups across the Greater Christchurch area, and what is needed to build more lower value, smaller homes
- A shared strategy for addressing these needs now and into the future, which particularly focuses on increasing the supply of affordable homes across Greater Christchurch, and support for rental households
- The RPS, district plans and infrastructure incentivising affordable homes to be built (possibly including an affordable housing planning requirement)
- The RPS, district plans and infrastructure enabling Kāinga Nohoanga in its fullest sense
- Reduced local authority development contributions and consent fees, rates rebates, remissions, loans or grants for smaller and affordable homes and Kāinga Nohoanga
- Local authority land disposals or lease arrangements to support the development of social and affordable housing and Kāinga Nohoanga

- Work with Kāinga Ora toward developing more social housing in Selwyn and Waimakariri, and mixed tenure communities in regeneration projects
- Transfer of local authority social housing provided to the not-for-profit sector, to leverage income related rent subsidies and philanthropic funding that can be used to maintain quality, expand supply and diversify tenure
- Government reforms that address constraints to building affordable housing, such as the Building Code and covenants.

The different council approaches now need to evolve into a more joined up Greater Christchurch social and affordable housing action plan. This will need to align with their shared development aspirations which will see growth across the area with Selwyn and Waimakariri becoming more than dormitory suburbs. It will need to future-proof these districts against demographic and market changes that might increase their need for non-market housing assistance. The plan will require each local authority to make some decisions

6.1. The Greater Christchurch Partnership

We recommend that all councils through the Greater Christchurch Partnership:

1. Update their needs assessment to meet NPS-UD requirements. We anticipate that this would identify the greatest need is to increase the supply of appropriate affordable homes, particularly for Māori and single person renter households including older people. This is where the councils should focus their efforts.
2. Explore with the development sector, Kāinga Ora and community housing providers what is needed to more successfully develop market and subsidised affordable homes (including smaller homes). This process should inform RMA planning, fees and charges, financial assistance, use of land, and advocacy to Government. The councils could consider whether it would be useful to establish affordable housing and property development forums under the auspices of the Greater Christchurch Partnership (similar to the Smartgrowth approach) that could provide ongoing intelligence.
3. Work with Ngāi Tūāhuriri Rūnanga to ensure that the RPS, district plans and infrastructure and other initiatives truly enable Kāinga Nohoanga
4. Undertake design work on an affordable housing zoning policy for the greater Christchurch area and advocate to the Ministry of Housing and Urban development for legislative support for this.
5. Invite Kāinga Ora and the Ministry of Social Development into the Partnership to plan for the location of central government services (including mental health and addiction counselling services that support social and affordable housing) in Selwyn and Waimakariri.
6. Advocate to the Ministry of Housing and Urban Development, and Ministry of Building, Innovation and Employment about covenants, the Building Code and Build-to-Rent. This advocacy might most effectively be undertaken with other bodies such as Local Government New Zealand, Community Housing Aotearoa or the New Zealand Property Council.
7. Participate in Te Waipounamu network of community housing providers.

6.2. Christchurch City Council

Christchurch City Council is reviewing its action plan. We suggest it evaluate the outcomes of its efforts to date, against where the need is greatest. This might suggest the council:

1. Maintain its arrangements with the Ōtautahi Community Housing Trust
2. Work with Kāinga Ora's to ensure that the regeneration and expansion of its 2000 public homes support community building and mixed tenure
3. Explore how it could redirect finance and use its land holdings to support more development of affordable housing.

6.3. Selwyn and Waimakariri District Councils

1. We suggest that Selwyn undertake its own more thorough needs assessment for all demographic groups and across the housing continuum and review its strategy in light of this assessment. Waimakariri District Council needs to build on its recent housing needs report and develop a strategy.
2. Both Selwyn and Waimakariri District Councils should ensure their District Plan reviews enable the development of smaller affordable homes, and create additional choice for older homeowners to "age in place" by:
 - i. Adopting minimum density residential zones allowing for a mix of 1 & 2-bedroom homes/attached products within a traditional development of 3 & 4-bedroom homes
 - ii. Zoning retirement village developments so they are connected and integrated into the community and not isolated enclaves
 - iii. Allowing existing homes to be partitioned to create multiple smaller units options
 - iv. Providing guidelines for universal design features in newly built homes
 - v. Providing information regarding Accessory Dwelling Units.
3. Both councils should also consider development contribution fee reductions and other financial incentives, and using their land portfolios to support social and other affordable housing
4. In addition, Waimakariri District Council should complete the planned modernisation of its 110 pensioner flats, with a view to divesting or gifting these to a registered Community Housing Provider that has access to IRRS and philanthropic funding and can maintain these to an appropriate standard. (We do not recommend putting the housing into a subsidiary of the Council as the fixed costs would be too high relative to the small portfolio).

Appendix 1

Minimum affordable housing planning requirements

There is debate about the impact of affordable housing planning requirements. For example:

Are planning requirements an effective way of increasing affordable housing?

- An international review of case studies in USA, Canada, UK, Ireland, France, Spain and Italy in 2010 found inclusionary housing to be *“the best answer to addressing global affordable housing needs”* in the economic and political climate at that time³¹.
- Recent Australian research finds that planning tools, supported by subsidies, leverage significant quantities of affordable housing supply in many parts of the UK, the US and in South Australia. In 2015-16 affordable housing requirements facilitated nearly 13,000 dwellings in England, 43 percent of all of affordable housing. Between 2005-15, 5,485 affordable homes (17 of total housing supply) were delivered through an inclusionary planning target in South Australia³².
- A New Zealand Productivity Commission review of international evidence found that affordable housing planning requirements have little impact on the overall supply of lower-priced housing and can create uncertainty, delays and significant administrative costs. The Productivity Commission concluded that *“there is not a strong case for their expansion in New Zealand”*³³.
- An October 2017 Auckland Council report showed that of 46,793 sites or dwellings consented under the Auckland Housing Accord and Special Housing Areas legislation, 1,353 (2.9 percent) were “relative affordable”³⁴ and 2077 (4.5 percent) “retained affordable”³⁵. This fell well short of targets. Another recent study found that the median prices inside the Auckland SHAs have increased *faster* than have median prices just outside the SHAs and that they do not appear to have increased the likelihood of affordable transactions³⁶.

Where do the costs fall?

- Affordable housing planning requirements to produce a percentage of homes within a particular price/cost segment do not necessarily impose costs on individual developments. A range of developers specialise in this segment, and it may be entirely possible for the overall market to profitably produce a greater share of lower value homes than has been

³¹Mekawy, H.S. (2014) *Role of planning mechanisms in affordable housing delivery: Inclusionary zoning*. International Journal of Development and Sustainability, Volume 3, Number 9. Faculty of Urban and Regional Planning, Cairo University

³²Gurran, N., Gilbert, C., Gibb, K., van den Nouwelant, R., James, A. and Phibbs, P. (2018) *Supporting affordable housing supply: inclusionary planning in new and renewing communities*. AHURI Final Report No. 297, Australian Housing and Urban Research Institute Limited, Melbourne

³³New Zealand Productivity Commission (2015) *Using Land for Housing*. New Zealand Productivity Commission. Wellington

³⁴Homes for first home buyers priced at at 75 percent of the Auckland median house price.

³⁵Held by community housing providers and made available to owner occupiers such that their monthly mortgage payments would not exceed 30 percent of the median household income.

³⁶Fernandez, M.A., Bucaram, S. and Sanchez G. E. (2018) *Price Effects of the Special Housing Areas in Auckland*. Auckland

the case recently. “Tenure blind design” requirements might make this more difficult. It all depends on the relationship between cost, price and risk profile.

- Modelling undertaken for the Proposed Auckland Unitary Plan in 2013 assumed that an affordable housing planning requirement would have a cost. Nevertheless it suggested that a mandatory requirement would still be “development feasible”, and that any reduction in profitability would be passed on to landowners in the form of lower prices for greenfield land³⁷.
- However, the Auckland Unitary Plan Independent Hearings Panel saw affordable housing provisions as effectively a “tax” on the supply of dwellings that may reduce the supply, resulting in an inefficient/opposite outcome than intended, including increasing prices in another part of the market³⁸. This is still a concern of Treasury and Ministry of Housing and Urban Development officials.
- Research suggests that the market impact depends on the strength of demand and the property cycle³⁹. A New Zealand Property Council spokesperson has voiced concerns that a requirement on larger scale developments could particularly disincentive apartment building right now.
- This issue of whether there are costs associated with a requirement to provide lower value dwellings, and who pays for them – known as “incidence controversy” – is a key debate internationally and remains unresolved⁴⁰.

Do affordable housing planning requirements achieve social integration?

- Some research suggests that affordable housing planning requirements are not an effective approach to achieve social integration, especially when alternatives to on-site construction are applied⁴¹.
- On the other hand, the planning requirements also face criticism from local residents who fear negative impacts on amenity and their property values, increased crime, and the characteristics and behaviours of prospective residents. An evaluation of impacts in Queenstown found these fears to be unfounded⁴².

³⁷Auckland Council (2013) *Affordable housing - Section 32 evaluation for the Proposed Auckland Unitary Plan*. Auckland Council, Auckland

³⁸ Auckland Unitary Plan Independent Hearings Panel (2016) *Report to Auckland Council: Hearing topics 053-069 Residential zones*. Auckland

³⁹ Mekawy, H.S. (2014) *Role of planning mechanisms in affordable housing delivery: Inclusionary zoning*. International Journal of Development and Sustainability, Volume 3, Number 9. Faculty of Urban and Regional Planning, Cairo University

⁴⁰ Ayyagari, R.V. (2018) *Affordable housing through inclusionary zoning – case of Auckland*. A thesis published in partial fulfilment of the requirements for the degree of Master of Environmental Planning. University of Waikato, Hamilton

⁴¹ Mekawy, H.S. (2014) *Role of planning mechanisms in affordable housing delivery: Inclusionary zoning*. International Journal of Development and Sustainability, Volume 3, Number 9. Faculty of Urban and Regional Planning, Cairo University

⁴² Eaqub, S. (2017) *Inclusionary Zoning: The evidence from Queenstown*. Report for Community Housing Aotearoa, Sense Partners, Auckland

Unfortunately, most of the literature underpinning the debate is descriptive, theoretical or correlational. Very little empirical work has been undertaken demonstrating a causal relationship between the planning requirement and outcomes⁴³. The debate is often more about the impacts of different planning requirement design features and their interaction with local context, than about the effectiveness of a planning requirement per se. It has not been possible to find the “model” answer.

There is some agreement in the literature that in order to be effective, planning requirements should:

- Be mandatory across the geography of the housing market, not voluntary or selective
- Define affordable percentages with reference to the incomes of target households and informed by evidence about the local housing market
- Allow a range of delivery forms (eg land, houses or financial contribution) and a range of retention mechanisms, (such as covenants, retention of rental stock, recycling of capital gain in shared equity arrangements)
- Be accompanied by cost off-setting measures such as faster consenting, delayed payment of development contributions, and/or planning concessions⁴⁴
- Provide a significant role for the not-for profit sector in designing and managing the affordable homes and providing wrap around services for households
- Be carefully enforced and monitored by the council
- Be formalised in legal frameworks (eg district plans, legislation) that demonstrate long term commitment.

If the Greater Christchurch councils wish to pursue an affordable housing planning requirement it would be essential to undertake a thorough analysis of a range of options. This should include development feasibility modelling to evaluate the likely impact over the property cycle on land prices, overall supply of homes, and distribution between typologies, tenures and price points. The Council should engage with Government, community housing providers and the property sectors as part of this work.

⁴³ Fernandez, M.A., Bucaram, S. and Sanchez G. E. (2018) *Price Effects of the Special Housing Areas in Auckland*. Auckland

⁴⁴ The planning concessions that are commercially advantageous depends on type of development and market, and how enabling the Plan already is. Many developers may not want density bonuses.

Appendix 2 - List of organisations interviewed

Abbeyfield New Zealand	LinkPeople
Accessible Properties Ltd.	Local Government New Zealand
Canterbury District Health Board – Public Health	Ōtautahi Community Housing Trust
Christchurch City Council	Pathways
Christchurch Methodist Mission	Selwyn District Council
Comcare Trust	Stepping Stone
Emerge Aotearoa	Te Ngāi Tūāhuriri Rūnanga
Fale Pasifika	Tenants Protection Association
Habitat for Humanity Christchurch	The Salvation Army
Housing Foundation	VisionWest Community Trust
Kāinga Ora	Waimakariri District Council

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