

# Possible provisions in the Draft Unitary Plan to generally improve housing affordability and enable a supply of retained, affordable housing

## (11 December 2012 draft)

### Introduction

This working paper identifies actions that could be considered in the forthcoming Auckland Unitary Plan (AUP) to increase the supply of affordable housing, both market rate and below market rate (i.e. involving some form of subsidy).

The actions outlined below can be fed into the preparation of that AUP and looked at in more detail as part of the informal consultation on the Unitary Plan that will occur early next year. It is intended that the Unitary Plan be notified for public submissions towards the end of 2013 and any proposals contained within it will be subject to the tests of the Resource Management Act.

Actions are broken down into two main headings:

1. Enable increased supply of market rate affordable housing and
2. Requiring retained, below market rate affordable housing to be provided.

The paper has been prepared by David Mead, Hill Young Cooper Ltd, as a working document. It is not adopted council policy.

### Background

*The 2010 Auckland Region Housing Market Assessment report found that the percentage of total households in housing need in the Auckland region is forecast to increase from 21.7% of all households in 2009 (or 98,500 households) to 24.4% of all households in 2026 (or 147,000 households)<sup>1</sup>.*

Total housing need is stated in the Assessment to be a combination of:

- Renter households experiencing financial housing stress (paying more than 30% of their gross household income in housing costs)
- Housing New Zealand's tenants
- Households not included in the preceding two categories and whose accommodation requirements are being met by TLAs, third sector and emergency housing providers, and households and people that are homeless.

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<sup>1</sup> Page 9, Auckland Region Housing Market Assessment Volume 1: Main Report For Centre for Housing Research Aotearoa New Zealand By Darroch Limited (August 2010).

If just households in the private rental sector are identified as the main target of any Auckland Unitary Plan affordable housing policies (not Housing New Zealand tenants), then these account for around 70% of the 2010 Housing Market's assessment of housing need, or approximately 14% of all current households, or 65,000 households.

However this measure doesn't address owner occupiers paying more than 30% of their income on a mortgage. About 65% of homes are owner-occupied.

Other data in the 2010 Housing Market Assessment breaks down financial housing stress by household type and by rental/owner occupier, in 2009, as set out in Table 1 below.

**Table 1: Financial Housing Stress by Type of Household Type, 2009**

Household Type	% of renter households by household type experiencing financial housing stress	% of owner occupier households by household type experiencing financial housing stress
Couple	23%	8%
Couple with children	34%	19%
Single parent	60%	14%
One person	39%	20%

*Source: Statistics NZ HES as reported in 2010 Auckland Region Housing Market Assessment, page 156.*

No figure is available of total owner occupiers paying more than 30% of their income on housing, for the Auckland region.

There is no definition of what housing costs are covered in the above analysis. Other Household Economic Survey data refers to housing costs as including rates, maintenance etc, as well as rent and/or mortgages.

If it is assumed that 15% of owner-occupied households are facing high housing costs, then market-related housing stress is in the order of 45,000 owner occupiers and 65,000 private renters. This is a total of 110,000 households, or approximately 25% of the region's households. Nationally, the 2012 Household Economic (Income) survey identified that 20% of all households spend more than 30% of their income on housing<sup>2</sup>, so intuitively the 25% figure for the Auckland Region appears a reasonable estimate of households (who are not Housing New Zealand tenants) spending more than 30% of total income on housing.

However, some households will willingly spend more than 30% of their income on housing, when cheaper options are open to them. No up-to-date figures of spending by low to moderate income households is available, where it can be expected that financially stressed households will be concentrated. The 25% of households could be reduced to 20% to reflect those in need, versus those who elect to spend more than 30% of their gross income on housing. An updated Housing Assessment is needed to confirm these figures.

If housing costs (taking into account prices and financing costs) continue to grow faster than salaries and wages, then the estimate of 20% in financial stress will increase over time.

Turning to current incomes and what level of house prices is needed to reduce financial stress on households in need, latest figures from Statistics NZ Household Economic (Income) Survey indicate that average household income in the Auckland Region is \$93,500. See Table 2.

<sup>2</sup> Sourced from:

[http://www.stats.govt.nz/browse\\_for\\_stats/people\\_and\\_communities/Households/HouseholdEconomicSurvey\\_HOTPYeJun12.aspx](http://www.stats.govt.nz/browse_for_stats/people_and_communities/Households/HouseholdEconomicSurvey_HOTPYeJun12.aspx)

**Table 2: Housing costs relative to Incomes: Auckland Region 2012.**

Region	Average annual housing costs	Average annual household income	Ratio of housing costs to total household income
	Dollars		Percent(7)
Auckland	\$16,654	\$93,532	17.8

Source: Statistics NZ

Note: Housing costs include expenditure on rents and mortgages, property rates, and building-related insurance. Household income is from total regular and recurring income sources, and is gross (before tax) income.

A simple multiplier of 3 times average income suggests that average house prices need to be in the order of \$285,000 to be affordable. However this may overstate incomes and understate current bank lending criteria.

The above average annual household income figure is likely to be skewed by a few households on very high incomes. Using median incomes for the Auckland Region for individuals whose main source of income is from wages or salaries, including self employment, sees an estimate of median household income of \$89,752. This is based on two people in a household earning the median income from salary and wages of \$863 per week or \$44,876 per annum, in 2012<sup>3</sup>.

Based on this figure, the ability to rent/buy a home without exceeding 30% of gross income can be estimated for households on 100% of the calculated median, and 80% and 120%, as follows in Table 3. Typical bank lending criteria mean that “affordable” house prices are in the range of 4.5 median salaries.

**Table 3 Calculated median income for household with two people in full time employment**

% of Median	Annual Income for two income household	30% of Income (annual)	30% of income (weekly)	House value*
80%	\$71,801	\$21,540	\$414	\$324,000
100%	\$89,752	\$26,925	\$517	\$405,000
120%	\$107,702	\$32,310	\$621	\$487,000

<sup>3</sup> Sourced from: [http://www.stats.govt.nz/browse\\_for\\_stats/income-and-work/Income/NZIncomeSurvey\\_HOTPJun12qtr.aspx](http://www.stats.govt.nz/browse_for_stats/income-and-work/Income/NZIncomeSurvey_HOTPJun12qtr.aspx)

*\*Based on 10% deposit and 30 year term and mortgage payments equal to weekly rent, as per Westpac NZ calculator.*

This calculation does not cover single income households, or those where one person works part time and one part time. Neither does it cover retired households, or those whose only source of income is benefits.

In terms of supply of dwelling units in the price ranges in Table 3, the northern and central areas of the city have higher lower quartile median house prices than areas to the west and south. In the west and south, lower quartile prices are in the \$360k to \$400k bracket, being affordable to a household on median incomes as assessed above.

**Table 4: Median house prices**

Urban Sector	Median house price (Oct 2012)	Lower quartile median price (Oct 2012)	Lower quartile as % of median
North	\$604,000	\$ 505,000	84%
West	\$443,000	\$ 359,000	81%
Central	\$608,000	\$ 441,000	72%
South	\$456,000	\$ 365,000	80%

Source:  
[http://www.interest.co.nz/sites/default/files/Auckland%20Central\\_first\\_home\\_buyer\\_Nov\\_2012.pdf](http://www.interest.co.nz/sites/default/files/Auckland%20Central_first_home_buyer_Nov_2012.pdf)

Given that house values are based on the stock of existing houses, rather than the flow of new houses (as the flow of new homes represents only a small proportion of total supply), this suggests expansion of supply in the west and south has some chance of adding to the stock of more affordable homes for owner occupiers, but in the north and central areas, new homes added to the stock are likely to be at prices above that affordable to households on 120% of median incomes, unless there is deliberate action taken to lower prices of new homes, or additional supply is aimed at smaller units (i.e. one or two bed units). The Central area has no greenfields land opportunities, while to the north, greenfields expansion options are limited. Redevelopment is the main option in these areas.

In any market-led strategy to address housing affordability issues, increasing the stock of rental units is likely to be an important strategy. Rental units will be supplied by the investor market.

Average rents in the Auckland Region are \$423 in October 2012, as reported by the Ministry of Business, Innovation and Employment. See Table 5.<sup>4</sup>

**Table 5**

Area	Average Private Weekly Rent
Auckland (Central)	\$432
North Shore (North)	\$466
Manukau (south)	\$412

<sup>4</sup> Data sourced from: <http://www.dbh.govt.nz/key-indicator-reports>. Auckland KIR.

Waitakere (west)	\$385
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Rents of \$450 per week suggest new house values need to be in the order of \$400,000 to be a viable investment proposition. This is based on an annual gross rental income of around \$20,000 times 20 - 20 being an average of the current multiplier of yearly income from average rents compared to lower quartile house prices.

### **Role of UP in meeting needs**

Planning and the RMA has a role to play in addressing affordable housing needs, but it is far from the only action needed to solve affordability issues. Nevertheless any actions that can be taken by the AUP will assist and be of benefit.

As Governments face rising debts and significant financial constraints as a result of the global financial crises, there is less likelihood that housing affordability issues will be dealt with by additional welfare transfers. Instead governments are increasingly looking at how housing markets can be made more effective in meeting all needs. An important aspect of this is are wide ranging reviews of planning frameworks and whether plans have over stepped the mark in terms of being too constraining of housing markets, relative to the environmental gains flowing from this constraint, and if so what opportunities there are to open up markets, including to enable public-private partnerships to develop.

Planning-related actions can be categorised as<sup>5</sup>:

1. housing supply levers, designed to generate new housing development opportunities by releasing sites for residential development
2. barrier reduction strategies to overcome regulatory constraints to developing affordable or diverse homes
3. preserving and offsetting the loss of low-cost housing lost through redevelopment
4. incentives to encourage new affordable housing to be built by the private sector
5. securing dedicated affordable housing in new development.

In this vein, the draft Unitary Plan anticipates greater flexibility for increased densities in residential zones; more certainty of consent process; and facilitative processes for well-designed residential developments. It is important that these principles are given effect to in the detail of the rules. A number of options are put forward below to this end.

The Auckland Plan also signals a significant expansion of the urban area through re zoning of land from rural to urban and from low density to higher density areas. There is a “once-in-a-30-year” opportunity to build into this re zoning process a requirement that some affordable housing be provided in new development areas.

The next two sections look at possible actions in more detail; first those aimed at increasing the supply of and reducing barriers to, affordable housing and secondly, actions aimed at developing a stock of retained, affordable housing.

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<sup>5</sup> Based on Affordable housing, urban renewal and planning: emerging practice in Queensland, South Australia and New South Wales. authored by Gethin Davison, Nicole Gurrán, Ryan van den Nouwelant, Simon Pinnegar and Bill Randolph, with Glen Bramley. AHURI Final Report No. 195

## Increasing Supply

***Possible goal: Provide as many opportunities as possible, compatible with other goals and objectives, to increase the supply of housing for low to moderate income households in both greenfields and existing urban areas.***

Priority one of the Housing Chapter in the Auckland Plan is to increase the supply of housing.

Over the past 30 years or so the stock of mid-range priced housing has come mainly from housing in existing suburbs, as existing houses are generally cheaper than new houses (reflecting the fact that houses – improvements - depreciate in value). In the post war period up to the 1970s there was government support for new state house suburbs and group housing schemes that saw new, cheaper starter homes on the edge of the city, but these programmes are no longer in operation. Most new housing on the fringes of the city is now built by private enterprise. This has seen fewer starter homes built and limited affordable rental stock added.

One action to increase the stock of more affordable homes is to create more space on the housing ladder for all types of households to move along the ladder through expansion of the housing stock overall. This is to ensure that there is room for households to move up or down the ladder as their incomes rise or fall, including sufficient options for retired households to “trade down” in size if they so wish, and households formed by singles to access housing that is suitable for their needs. This should help to free up more existing houses for sale, rental.

However this process of expanding supply overall will not meet all demands from the low to moderate income household sector: there are more households in low to moderate income bands than there are in mid to higher income bands, many higher income households stay in suburbs that are appreciating in value, upgrading their houses rather than shifting to new bigger houses; while many retired households wish to age in place. Singles and couples also often occupy 3 bedroom homes even when there are smaller choices.

To meet affordable housing needs, there needs to be an equal focus on new builds, as there is on expanding the range of housing overall. Building more, new houses in the mid priced range means houses on smaller land areas, and/or smaller floor areas than is currently common. So there needs to be more options for developers to pursue these types of houses. However these choices cannot come at the cost of poor quality living environments that add to health, social and other costs; environmental damage that may take years to address from poor subdivision designs, nor concentration of low priced housing in specific areas.

The Auckland Plan signals that the urban area will expand outwards, mostly to the west and south, as well as see considerable redevelopment of existing urbanised areas, such as around town centres. These are good starting points in terms of adding to the supply of moderate priced housing, but there are a number of barriers to be overcome:

- In greenfields areas, development costs are high – reflecting the environmental issues present around Auckland’s fringe including valuable streams, estuaries and harbours – while land is often steep and needs significant earthworks. New reserves and open spaces also need to be provided, and infrastructure networks extended. These planning-driven factors push up land costs, so do does market-driven factors like land banking from developers and speculators, and private restrictive covenants relating to minimum house sizes and/or values. Development returns tend to favour high value areas, like areas near the coast or with good views. The end result is that often the housing provided is not moderate priced housing. Further out from Auckland, land is cheaper, but transport costs are higher. This includes costs for the public of extending motorway networks, as well as for future households having to travel long distances to work and services.
- In redevelopment areas (areas of existing housing and sometimes older industrial areas that could be redeveloped), the urban redevelopment process generally sees lower value properties

replaced by higher value properties. In other words low to moderate income households tend to get pushed out by redevelopment, unless there are options to build less expensive dwellings on cheaper industrial, or when quality gets cut back (shoe box apartments).

- In existing suburbs, small scale redevelopments and additions to existing houses offer a realistic way to add to the stock of affordable housing. For example, in the past it was common for a large house to be divided into two flats, two or three joined units to be built on the one site (brick and tile units), or a granny flat to be added at the back. Planning rules relating to minimum densities (number of dwelling units per m<sup>2</sup> of site area) now constrict the ability for smaller units to be built. On the same sized plot of land, such as a 600m<sup>2</sup> section, a 6 bedroom unit could be built or a 2 bedroom unit. But it is not possible to build two, attached, three bedroom units that for all intents and purposes look like the larger 6 bedroom unit.

*Actions to address these barriers include:*

### **Greenfields Areas:**

*Ensure that a range of greenfields options are “on the go” at any one time in terms of housing price points.*

The Auckland Plan identifies the need to maintain a pipeline of developable land, with some of that pipeline involving land that is ready to go (services and zoning in place), as well as land that is in the planning stage. The pipeline is based on the overall number of houses needed to meet future population growth and the years typically required for developments to pass through the planning stage. Expansion of workplaces and shopping areas on the fringes of Auckland is also planned to ensure a mix of uses.

The draft Auckland Unitary Plan is likely to propose that the Rural Urban Boundary (RUB) will be expanded after council-initiated investigations into the general growth areas identified by the Auckland Plan. The RUB will be expanded through subsequent changes to the Unitary Plan, once these investigations are complete. Rural land that is brought within the RUB will first be identified as “future urban land”. After completion of structure plans, this future urban land will be progressively released for new houses and businesses via plan changes.

In decisions about where the RUB should go and how quickly future urban land is structure planned and released, along with the overall number of houses to be accommodated, there also needs to be an equal focus on the likely cost of houses to be provided through this process. There will only be small benefits to housing affordability if only higher cost housing is delivered through the expansion of the urban area.

A possible target is for 30% of houses to be delivered through greenfields development to be at or below regional median house prices. This target would not be mandatory target. Rather it is a criterion to help make decisions about what land should be developed and how it might be developed. This target is similar to revised state planning guidance being introduced for South Australia.

To help enable a mix of housing in greenfields areas that meets this target:

1. In selecting areas for urban development (RUB expansion) and deciding when this land is to be released for development (structure planning), one of the criterion needs to be whether the development area will likely lead to moderate priced housing being offered.
2. A number of different greenfields areas should be identified so as to limit the potential for land banking. That is, have options on the go in both the West and South of the region and development options that cover multiple land owners.
3. Housing plans need to be developed as part of structure plans for new greenfields areas to show how a range of housing is likely to delivered, given the constraints and opportunities present. This

should include allowing for a percentage of sites to be smaller than average (say, some 250m<sup>2</sup> sites or similar), as well as 500 or 600m<sup>2</sup> sites. Plans should be developed which allow for these small sites to be developed in a way that does not trigger subsequent resource consent requirements. The housing plans should also address if any restrictive covenants are to be imposed in terms of minimum house sizes, values or later re-subdivision, and the impact of these on affordability.

### **Urban Redevelopment**

The Auckland Unitary Plan will upzone some areas, such as around town centres and along transport routes for terrace housing and apartments. Building height rules will be relaxed and greater intensity of developed allowed. This will provide opportunities for more housing in existing suburbs, helping to meet needs for current and future generations to live close to work, services and/or family and friends.

Such housing tends to be more affordable within its market (such as a smaller, cheaper flat, compared to a renovated, stand alone character home in an inner city neighbourhood), but not necessarily affordable when benchmarked against regional incomes. This is because building costs per square metre can be up to \$4,000 to \$5,000 for an apartment compared to a \$1,600 to \$1,800 for a stand alone house, while the price of existing homes in the area help set a benchmark. While the land component is much smaller in an apartment unit than a stand alone house, this is not enough to off-set the effect of higher construction costs and higher relative prices.

In other words, one of the main benefits to housing affordability from urban redevelopment will be in terms of adding to housing supply overall, rather than through direct supply of units affordable to low to moderate income households.

A possible negative consequence of urban redevelopment is the displacement of existing, lower priced housing from the areas to be redeveloped. This is an acknowledged issue in some planning jurisdictions where the urban redevelopment process has to involve an assessment of the extent to which existing affordable housing options will be removed and what actions the redevelopment project can take to address this.

The first action that the Unitary Plan can take is to reduce barriers to the take up of intensive housing options. These barriers are many, including limited demand in some areas; the higher buildings costs (including contributions to public infrastructure); legacy of inappropriate, poor quality designs; and a conservative approach to bank lending. Uncertainty of resource consents processes are also a constraint.

Freeing up height and intensity controls, while stepping up design review are the three important steps that the Unitary Plan should take to enable redevelopment and increase the supply of quality apartments and units. With a more established track record of well maintained, quality developments, it is likely that bank lending criteria will become more favourable for apartments, compared to stand alone houses and more households will realise the benefits of reduced transport costs from living close to services and workplaces.

A specific issue is controls on minimum apartment sizes and apartment mix. In terms of minimum floorarea requirements, each additional 10m<sup>2</sup> of floor area adds up to \$40,000 to \$50,000 to the price of a unit. This is a particular issue for studio and one bed units. These units need to be affordable to single person households.

The minimum unit sizes to be proposed in the Unitary Plan are likely to be comparable to those that apply in New South Wales and should not be increased. See Table 6.

**Table 6 Minimum apartment sizes**

Type of Unit	Auckland Draft UP (m <sup>2</sup> )	NSW (m <sup>2</sup> )
Studio	40	35
One bedroom	50	50
Two bedroom	75	70
Three or more	95	90

## Existing Suburbs

In existing suburbs, a patch work of residential zonings will be replaced by a simplified structure under the Unitary Plan. Two main zones are proposed: being single housing and mixed housing.

Traditionally, a neighbourhood in a city offered a range of housing choices – rental and ownership, large and small homes. Over time, planning has seen this natural diversity slimmed down in the name of protecting character and amenity, as well as in terms of making planning rules easier to understand and apply. The baby boom of the post war period and the attendant focus on family homes also played a part in mostly planning for neighbourhoods for families with children.

However housing demands are getting more diverse as the population ages and lifestyles change. Major growth will occur in households formed by singles and couples. No all these households will want to, or will be able to afford the units and apartments offered in the urban redevelopment areas. There will be an equal if not bigger demand for such households to live in suburban areas.

At a high level, the Auckland Unitary Plan has objectives and policies that promote a range of housing choices in existing suburbs and it will be important that these policies get put into action in a way that fits the local area. There is a danger that the simplified rules will further limit housing diversity, rather than add to it.

Often concerns about more intensive use of sites in existing suburbs relate to too much development seeing green spaces and trees lost, more traffic and pressure on infrastructure. What is needed are ways to use sites more flexibly for smaller units without necessarily adding to these pressures.

In areas that are not identified for large scale redevelopment (such as the redevelopment areas discussed above), there are a number of ways to add to housing choices and price diversity while not seeing the character of the area completely change. Current rules typically allow for 1 house per 450 or 500m<sup>2</sup> of land area, unless sites are amalgamated, in which case more intensive development is possible. Amalgamation of sites is expensive, but desirable when three or more houses are allowed to be built in a development site. What is missing is an intermediate form of development that allows for small scale, site-by-site redevelopment that largely keeps within current development envelopes. This can be called soft forms of infill – the intention is to enable development that looks and feels like stand alone houses, even if they may contain two or three units.

Examples of actions that could assist with the might be:

1. Granny flats / minor household units – these are units 60m<sup>2</sup> or less in floor area able to be placed on sections of 600m<sup>2</sup> or so, provided normal building coverage controls are not exceeded. Note in NSW, State Planning Guidance is that a granny flat can be placed on any section more than 450m<sup>2</sup> in area.
2. Existing houses being able to be subdivided into two units – this may be possible under the AUP and needs to be retained. However, the provision begs the question as to why it is not possible to build two new attached units from the start.
3. Following on from this is dual occupancy of sites; that is allowing two new houses that are joined together to be on a smaller site than otherwise would be the case, i.e. instead of needing 800m for two units, two joined together houses could be on a 600m site. Normal building coverage and

set backs apply. This is common on Australia where dual occupancy is often a permitted activity. Sometimes dual occupancy units are limited to corner sites where the extra road frontage means that the two houses fit in easier.

4. As a variation of the theme, allow for duplexes or triplexes based on some form of bedroom based density control – e.g. a 600m<sup>2</sup> site subject to a density control of 1 bed space per 100m<sup>2</sup> (total allowable bed spaces equals six). The following development scenarios could be possible:
  - a. Build one detached large home;
  - b. Build two semi-detached, “duplex” units, provided the two units do not involve more than six bed spaces i.e. each unit could have one double bedroom and one single bedroom;
  - c. Build three two bed units.

In New South Wales, State planning policy (called AHSEPP) enables low rise infill housing (dual occupancies, villa, townhouses and residential flat buildings) in most residential zones if they are:

- Located within 800m from railway station or ferry wharf, or 400 metres a light rail station or a bus stop with hourly buses 6.00am - 6.00pm Monday to Friday, and
- 20% floorspace must be affordable housing for 10 years. Affordable housing to be managed by a registered CHP.

Such developments must comply with a height limit of 8.5 metres, while the maximum floor space ratio cannot exceed 0.5:1 and the minimum site area is 450 square metres. The use of a floor space ratio, rather than density control, provides considerable scope over the number of units within a development. A 800sqm site could accommodate 400m<sup>2</sup> of floor area. This could be three larger houses of 130m<sup>2</sup> each, or five 80m<sup>2</sup> units. Design criteria, including minimum unit sizes apply.

Boarding house and lodges are also an important affordable accommodation option for many people. Generally, District Plans impose a size threshold, with boarding homes up to 10 people being permitted and over 10 discretionary, for example. A discretionary status is generally seen to be a significant discouragement as it most often involves notification of applications, as well as a wide ranging assessment of effects.

Opportunities for lodges and boarding houses along bus routes and main corridors could be opened up, (for example be a restricted discretionary activity). Larger boarding house and lodges can sustain an on-site manager, reducing management issues and potential nuisance effects for neighbours and so a size threshold should not apply in these areas. However one matter of assessment should be appropriate management being in place. In NSW, lodges with more than 20 units have to provide an on-site manager.

## Retained, affordable housing

*Possible goal: Require the provision of retained, affordable housing when rural areas are urbanized and encourage the provision of retained, affordable housing when urban areas redevelop.*

This section looks at what is often termed inclusionary zoning - planning rules that require a certain proportion of below market rates houses to be provided as part of a development. The above actions (for greenfields, redevelopment areas and existing suburbs) are aimed at encouraging a greater supply of market rate housing. Some of this housing will hopefully be directed at moderate income housing, while overall an expansion of supply will help to moderate price increases and provide more space on the housing ladder for households to move, helping all households to improve their choices.

However these outcomes are not assured: there are many steps in the development process that can see supply lag demand, while development risks tend to favour more expensive housing being built. Central Government now recognises this when it responded to the Productivity Commissions call for large tracts

of land to be zoned for housing to help suppress house prices. In response to the Commission's recommendation the government stated: "such initiatives require a commitment from individual local authorities and, ultimately, a mandate from local communities as well as enabling changes in legislation". This is recognition that adding supply is not a simple task and requires commitment to fund the necessary infrastructure, as well as undertake the necessary planning. Planning will restrict how much land is available. This is to protect valued natural environments and ensure that infrastructure demands do not outstrip funds. Maintenance of amenity is also a highly valued commodity. Today's society as a whole benefits from this planning intervention, but certain groups within the community suffer some adverse consequences, such as lower income households who face restricted access to housing.

When affordable housing is put on the market, it can be quickly snapped up by speculators and investors keen on a capital gain – there is no certainty it will remain affordable into the future. The first owner of the home may be a luck working family on moderate income who receives a windfall gain when they sell the house in the future, at much higher prices.

*A possible, draft UP Retained Affordable Housing provision is set out in Appendix One.*

### **Is there a role for the planning process to ensure that a percentage of housing provided by development remains affordable for low to moderate income households, into the future?**

It is not uncommon for planning schemes in Australia, the UK and America to specify that a certain percentage of homes in a development are to be rented or sold at a price that is affordable to low to moderate income households in the area. Usually there is a retention mechanism attached to these properties to ensure that subsequent owners are bound by the same conditions.

For example in a development of 20 dwellings, two may have to be able to be sold at the mid price range of \$350 to \$400k. This may mean that two smaller units get built, rather than two bigger, market rate houses (at say \$500K each). This means that the developer / house builder gets a smaller return than might otherwise be the case. However it is not necessarily the developer who bears this cost. Neither does it have to be the other homeowners in the development. As discussed below, along with other planning requirements like the provision of reserves and roads, if the affordable housing requirement is transparent and costs able to be anticipated, it gets factored into what the developer is prepared to pay for the land.

The objective of the retained affordable housing requirement is to build up a stock of housing that can be accessed by low to moderate income households into the long term. This stock will never be big enough to meet all housing needs, but it will help to ensure that current problems do not get bigger, and that there is a mix of housing in new development areas.

Having a stock of housing that can be accessed by eligible households mixed in with market rate housing helps to:

1. See new communities (greenfields or upon redevelopment) have a mix of household types from the start;
2. Increases opportunities for low to moderate incomes to locate in places close to work and services (e.g. inner city areas or greenfields areas near new business parks on the edge of the town), reducing travel costs;
3. Assists with employment growth and economic development if some moderate income households can be retained in the city (and not forced to shift to other cities because of high house prices).

Common questions are:

- Are such schemes possible under the RMA?
- What would be the size of the requirement?
- How might it be applied in greenfields, redevelopment areas?

- Should it be mandatory or an incentive-based bonus
- What are the costs and who pays?
- What are the alternatives?

### **It is possible under the RMA?**

The Auckland Unitary Plan is prepared under the Resource Management Act. This Act makes no direct mention of affordable housing. Instead the purpose of the Act is to enable peoples' and communities' well being while avoiding adverse effects on the environment and ensuring that the needs of future generations are taken into account (otherwise known as sustainable management).

The benefits of planning rules to achieve sustainable management need to outweigh their costs. District Plan rules need to be justified that overall, a better outcome will occur than if no rule is in place. This better outcome primarily involves economic and environmental considerations, although social issues are also relevant.

An affordable housing requirement can be seen to be in-line with the overall purpose of the Act:

1. Its focus is on the needs of future generations who generally bear the brunt of actions that have the effect of limiting the supply of housing in greenfields, redevelopment areas or existing suburbs, thereby pushing up prices – existing homeowners and landowners see an immediate benefit from increased prices, but future generations generally face higher and higher entry costs. Its intention is therefore to make sure that some people's wellbeing (future low to moderate income households access to housing) is not disabled through actions other people take to enhance their well being (for example people who seek to protect rural landscapes by limiting urban expansion or restricting infill to maintain the character of existing suburbs);
2. Left unchecked, a limited supply of affordable housing will increasingly see affordable housing options reduce with attendant social and economic stress for communities and central government (in the form of increasing demands on the state housing sector and welfare payments), while lower cost housing will be concentrated in specific areas, leading to higher transport costs and lower levels of amenity in the city as a whole;
3. It is not feasible to expand supply such that all housing needs are met in a way that recognises environmental or amenity outcomes. There will always be some form of planning constraint on the supply of land for urban activities and coupled with the attendant provision of network infrastructure in a staged manner, the value of developable land with zoning will inevitably be raised above that which would arise from normal market processes.
4. The planning system is an effective means of the public capturing part of this gain so as to ensure that the benefits that flow to landowners from good planning are not undermined by bad outcomes for certain sectors (such as reduced affordability). In certain circumstances, providing affordable housing via the planning system is a more effective method of providing such housing than other methods (such as via taxes, rates and other charges).

### **What would be the size and nature of the requirement?**

An affordable housing requirement usually applies to developments of 10 or more dwellings units. A set percentage of such housing (such as 5, 10 or 30% of lots/ units) have to be sold at a price that is affordable to a defined group. Usually the price point is set by reference to median income levels, and is adjusted yearly. Price points are provided in terms of lots, or house+lots.

Normally the lots created (and units to be built) have to be provided within the development, although there may be an option to offer cash instead of lots /housing where this leads to better outcomes. The lots

and/or units could be sold to a recognised Community Housing provider, or sold subject to some form of covenant or condition that controls future ownership.

For example, a 20 lot subdivision may be proposed, with average section prices in the range of \$300,000 to \$350,000 with the likelihood that houses built on these sites will sell in the \$500,000 to \$600,000 range. The requirement may be that 10% of lots are to be sold at a price that will enable a house to be built that would be affordable to a moderate income household, that is a household on 80 to 100% of area median income. This may mean that the household could afford to purchase a \$375,000 house based on normal bank lending criteria and with no more than 30% of gross income spent on housing. Allowing for a modest sized home of 90 sqm meters costing \$160,000 means that the section can be no more than \$215,000. The two sections would need to be sold at this level.

There are a number of variables that would have to be determined, including:

*Eligibility criteria:* what level of affordability is the requirement aimed at? For example it may be that the target is moderate income households, such as those earning around the median household income. Some schemes target “key workers” – households that work in the local area in jobs that are important to community stability, like health, education and emergency services. Other schemes are more broad based and cover all low to moderate income households. The greater the range of households involved, such as low to moderate income households, working households and non working households, then the wider the criteria and the harder it is for a developer or subdivider to understand ahead of the re zoning process what level of requirement will apply.

The proposal is that the scheme for the Auckland Unitary Plan be focused on those households in the 90 to 110% median income bracket, and therefore is essentially aimed at providing more choices for these households to enter the ownership market. The rationale for this is that the new housing market is unlikely to offer affordable rental housing, compared to the existing housing market. The aim should therefore be to open up more opportunities for households to move from the rental to the ownership market. This frees up choices in the rental market.

*What percentage of housing has to be retained, affordable housing?*

This needs to reflect the objective of any scheme, demand for housing and the income profile of the region. It is known that Auckland has a large affordability problem, with a significant percentage of households (around 20% as estimated above) suffering some form of financial housing stress.

Supply-side initiatives set out above should help to meet some of these needs, but not all. It is not possible for those parties involved in the planning system to bear the cost of providing affordable housing for all households who needs cannot be met by the market place. Neither does the council or the community housing sector in Auckland have the capacity to own or otherwise manage / administer a large number of houses that have a form of restriction on their resale. The extent to which households may be willing to purchase a dwelling with restrictions on its resale also needs to be tested.

Generally, studies on affordable housing schemes suggest a slow and steady approach is better than a big bang approach, as this allows time for parties involved in the process to adapt and become familiar with the new approaches.

A figure of 5 to 10% of new dwellings being retained, affordable dwellings is a possible starting point. It is necessary to make sure any planning requirement is reasonable – that the requirement is proportional to the adverse effect being created. While it can be argued that subdivisions do not directly create demand for affordable housing (unlike roading or reserves, where demand is created by new households), it is nevertheless reasonable to say that without the requirement for a proportion of retained affordable housing to be provided, the subdivision or development is indirectly adding to affordability issues. In the other words, the objective of any retained affordable housing requirement is not solve existing problems, but rather not too see current problems increase.

Up to 5,000 to 6,000 dwellings a year could be constructed in greenfields areas if Auckland Plan goals are translated into realisable actions. A 5% requirement for retained affordable housing would see up to 250 units added each year, 10% up to 500.

### *Retention mechanisms.*

The Unitary Plan would need to set out what form of retention mechanism are acceptable. This could range from sale of the lot and/or unit to an approved community housing provider (a provider that has an agreement with the Council that they will not on-sell the unit into the general market and will only rent or sell to eligible households), covenants on the title which restrict rental or sale to a household approved by the council as meeting income criteria; or the council having some certainty that the lot or unit will not appreciate in value as fast as the market in general.

Having retained affordable housing (lots or lots and homes) brought by a Not for Profit Housing provider has a number of advantages over other retention mechanisms. This includes less need for monitoring by council, professional management of the stock and if possible, pre-purchase of affordable houses by the housing provider assisting with developer cash flow. This though requires a buoyant Not For Profit Housing sector

### *Allowance for running costs*

Some affordable housing schemes take into account and encourage dwellings to be built in locations and to designs that reduce household running costs. In this way, the developer can obtain a price that is closer to market rates for the affordable units.

For example, in the Auckland Region, in 2010, households paid on average \$130 a week in transport related costs, \$40 per week for energy and perhaps \$15 for water, a total of \$185 or \$9,600 per year<sup>6</sup>.

If efficient design and location reduces running costs by 20% then that is an extra \$2,000 to be used for rent / mortgage payments, allowing for a 5 to 10% increase in house value that can be considered affordable. In the above example, the \$375,000 affordable house could be increased to closer to \$400,000 if it is designed to be energy efficient and located by public transport.

### **What are the costs and who pays?**

A common issue with Inclusionary zoning is who pays: landowners, subdividers, developers, other home owners in the development, the public in general or future generations?

The economic theory is that provided that the retained affordable housing requirement is well signalled in the Unitary Plan and it is clear as to what the price implications of it are ahead of resource consent being issued, then the requirement will get priced into what the developer is prepared to pay for the land. This assumes that the requirement does not alter land prices to the extent that landowners withdraw land from the development market. This is another reason to ensure that any requirement is reasonable.

It is therefore very important that the Unitary Plan and the associated RUB and structure plan process makes a transparent statement about any retained affordable housing requirement and that this requirement be able to be costed ahead of rezoning from rural to urban. The cost of this requirement then gets factored into the land price rise that occurs when land moves from a rural to an urban use. Evidence around Auckland is that land increases in value by 7 to 8 times when it moves from outside the urban boundary to inside the urban boundary. This reflects planning controls adding a degree of scarcity value to urban land, the development potential once inside the RUB, as well as a commitment from the council and other public agencies to extend network infrastructure to the land to be urbanised.

A retained, affordable housing requirement lessens this price increase by an amount equal to the cost of the requirement to the land's developer. Table 6 sets out a hypothetical assessment of a greenfields housing development with and without an affordable housing requirement. The figures used are approximations only and there to demonstrate the concept, rather than be a real world example.

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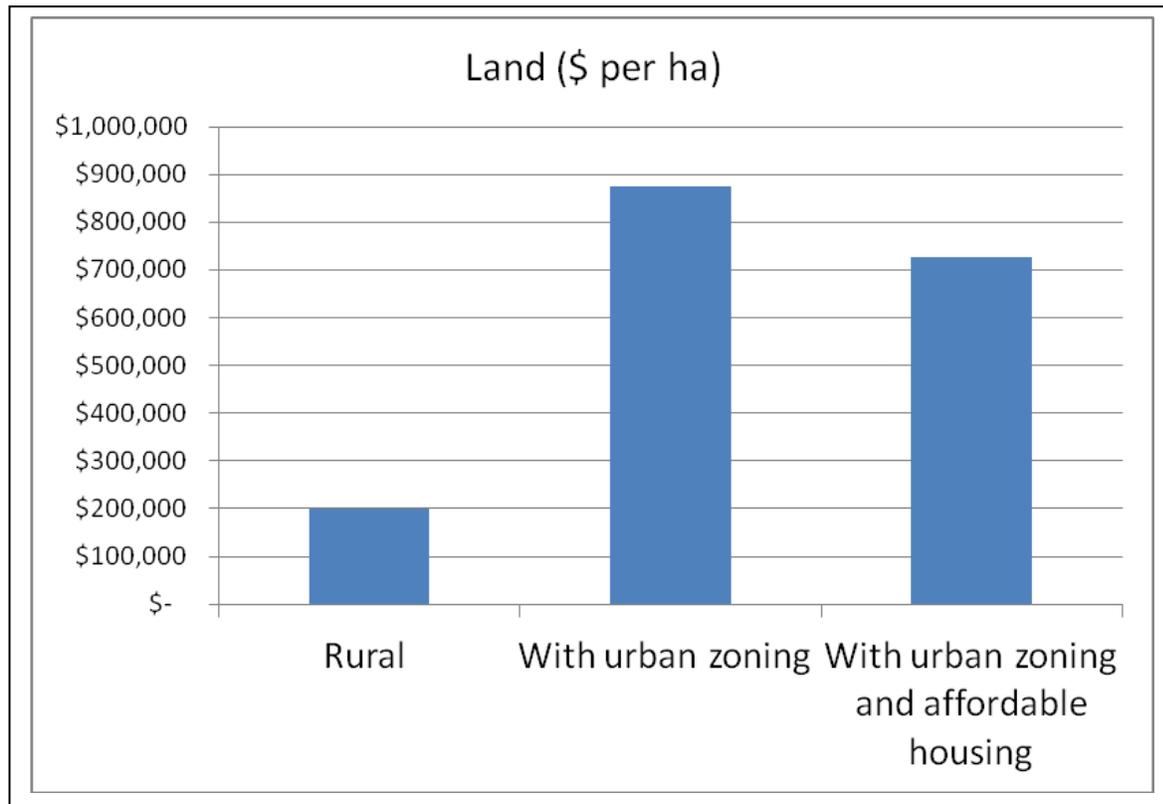
<sup>6</sup> Based on 2010 HES data

**Table 7: Greenfields development scenario**

	12 Houses	12 houses with one affordable	
Net development revenue	\$6,000,000	\$ 5,850,000	\$500,000 per market rate unit, \$350,000 per affordable unit
Construction costs	\$3,240,000	\$3,168,000	\$1,800 per sqm. 150 sqm per market rate house, 110sqm for affordable house
Developer contributions	\$600,000	\$600,000	\$50,000 each
Finance	\$384,000	\$376,800	10% of construction/contributions
Developer's profit	\$900,000	\$877,500	15% of revenue
Total costs	\$5,124,000	\$5,022,300	
Land value (revenue - costs)	\$876,000	\$827,700	

Figure One sets out the resulting land values taking into account the expectation of development (with and without affordable housing) compared to rural land values; that is land that would be outside the RUB and with no planning expectation for development. Again the purpose of the graph is illustrative of the concept.

**Figure 1: Land Values**



There will be some transaction costs that may not be factored back into land prices. There are additional structure plan requirements to work through (for example a, affordable housing plan to be prepared), while there may be additional holding costs, depending upon whether the retained affordable lots/units sell more slowly if buyers have to be approved as being eligible. Other lots/units in the development may not sell as quickly if there is uncertainty as to what type of houses may be built on the affordable lots (will they be cheap houses?).

Having a buyer for the affordable lots / units ahead of development can make a big difference, especially if the purchase agreement can be finalised early in the development process, thereby assisting with cash flow. This requires an appropriately funded body such as an approved Community Housing provider ready in the wings.

Generally, any additional costs are more easily borne on a rising housing market.

It can take time for the retained affordable housing requirement to work its way through the system and be bedded down in land values. When first promulgated, a requirement is likely to catch a number of existing developers who have already brought land, but not yet gained consent. Inevitably, therefore, first schemes under such a regime will involve more costs than subsequent schemes, due to the newness of the provision.

However, overtime it can be expected that processes will settle down. To off set these implementation risks, it could be provided for that through the plan change process that accompanies the shift of land from rural to future urban, some form of additional development allowance that does not trigger the affordable housing requirement, could be provided for. For example, the cost of providing the two affordable housing lots in the above example could be off set to an extent by allowing for one or two more market rate housing. It is important that this bonus be directed at the subdivider or developer, not the landowner, and therefore rather than be transparent, it needs to be discretionary (negotiated via the consenting process).

### **How might it be applied in greenfields versus redevelopment areas?**

Greenfields urban development is obviously different from redevelopment of housing in existing suburban areas. There are different drivers and processes involved. Should retained affordable housing requirement be mandatory or voluntary to reflect these differences?

The proposal is that the requirement to retain a portion of new lots and units as affordable be mandatory in greenfields areas and incentives-based in areas of redevelopment.

#### *Greenfields areas*

The Unitary Plan, via a variation that will be introduced sometime in 2013, will identify a RUB that can accommodate up to 30 years of urban expansion. This is a significant commitment in terms of planning policy. Once identified, land within the RUB will carry an expectation that it will be developed at some point. If there is no retained affordable housing requirement spelled out before the RUB is shifted, then the ability to see an affordable housing requirement priced into the land will be lost. It will then be very difficult to retrofit an affordable housing requirement into the land development process via a structure plan and/or subdivision consent process. A mandatory requirement is equitable to all landowners to be brought into the RUB and will ensure that affordable housing is provided in all growth areas.

In contrast a bonus type scheme will be hard to structure, and will likely to add to consenting costs and delays. For a bonus type scheme to work a threshold density would first have to be established (such as 15 dwellings per hectare), above which additional development is only possible where retained, affordable units are offered as part of the development, up to a maximum ceiling density. It will be difficult to establish this threshold in greenfields areas where there is no existing environment, and the maximum

allowable density is likely to be used as a guideline as to what level of development is acceptable, irrespective of whether affordable units are offered or not, and hence land values. A discretionary, bonus based scheme is therefore likely to see landowners and developers haggle over the price of the land, as it will not be clear as to whether the additional development potential allowed by the bonus will in fact be taken up.

### *Redevelopment areas*

Should a retained affordable housing requirement also be mandatory in areas of redevelopment?

As an example, in Sydney, NSW, the Green Square Development Control Plan requires that the equivalent of 3% of the total residential floor area and 1% of the total non-residential floor area developed in Green Square be for affordable rental housing for very low, low to moderate and moderate income households. Green Square is an inner city redevelopment area, located in South Sydney.

Approximately 11,000 residential units or 1,100,000 m<sup>2</sup> of residential floor area (giving rise to approximately 330 affordable units) and 300,000m<sup>2</sup> of non-residential floor area (giving rise to approximately 30 affordable units) is projected.

To encourage long term employment generating uses within the Green Square area, a lower proportion of total floor area has been required from non-residential development for the provision of affordable housing compared to residential development.

In the first instance, the intention of the Green Square DCP is to provide affordable housing within each proposed development. However, alternative arrangements may be made where an in lieu monetary contribution may be provided, so that affordable housing can be provided elsewhere within the Green Square area, as follows:

- For residential development where the contribution is provided in kind, on site, 3% of the total floor area is required to be provided as affordable housing. With regard to the in lieu monetary contribution, the contribution from residential development towards affordable housing equates to \$66 per square metre of total floor area.
- For non-residential development where the contribution is provided in kind, on site, 1% of the total floor area is required to be provided as affordable housing. With regard to the in lieu monetary contribution, the contribution from non-residential development towards affordable housing equates to \$22 per square metre of total floor area

A number of exemptions apply:

- (a) development for residential purposes that will result in the creation of less than 200 square metres of total floor area; or
- (b) development for non-residential purposes that will result in the creation of less than 60 square metres of total floor area; or
- (c) development for the purposes of public housing; or
- (d) development for the purposes of affordable housing by a community housing organisation or non-profit organisation; or
- (e) development for the purposes of community facilities; or
- (f) development for the purpose of a public road, or public utility undertaking or facility, and no other purpose.

In theory, equity would say that a mandatory requirement should also apply to significant areas of redevelopment. However, in contrast to greenfields areas, the process of urban redevelopment is more complex and risky. While areas that are to be rezoned for apartments and terrace housing will receive a

value uplift, this uplift is not as assured as that applying to greenfields land and in many cases will not be as large. It will also vary across the region: in desirable inner city areas with high land and house prices, any uplift in development potential will have more of an effect on land values than in middle and outer ring suburbs.

Redevelopment processes have to contend with costs of purchase and demolishing of existing development, uncertainties over development costs (e.g. ground conditions, basement excavations) as well as consent requirements. There will also be a greater mix of housing and businesses in some areas, and any mandatory requirement should include residential as well as businesses uses.

The Auckland Plan wishes to promote urban redevelopment and not to put more road blocks in its way. This lends weight to a voluntary, bonus-based system where the developer can elect to take up the offer, rather than a mandatory scheme. This in contrast to greenfields development where economic theory supports the contention that such development is subsidised by the community to a degree by the way trunk infrastructure networks are funded and extended, particularly motorway networks.

### **Bonus-based schemes**

What may an incentive-based scheme look like?

A range of bonus type schemes apply across different jurisdictions. For example in New York City, their Inclusionary Housing Program provides two optional floor area incentives in exchange for the creation or preservation of affordable housing, on or off-site, predominantly for low-income households:

- One option provides a floor area bonus of up to 20 percent, increasing the maximum floor area ratio of 10.0 to 12.0 for the provision of affordable housing in applicable residential and commercial districts.
- In Inclusionary Housing designated areas in medium and high density residential neighbourhoods and commercial districts with equivalent density, a bonus of 33 percent of floor area can be obtained for providing 20 percent as affordable housing.

The NSW AHSEPP referred to above provides that in areas where mid-rise apartments are possible, and where location criteria apply in relation to proximity to public transport, a sliding scale floor space bonus is available, of 0.2:1.0 additional floor space if 20% of dwellings are affordable, increasing to 0.5:1.0 if 50% is affordable. Affordable housing has to be retained as affordable for 10 years.

For a bonus scheme to work, it is necessary to structure a retained affordable housing scheme so any benefits go to the developer, not the landowner. This means a more discretionary process should be used. If the bonus is too “transparent” and certain, then it is likely that land values will rise to incorporate the added value from the bonus, defeating the purpose of the bonus.

In an RMA context, bonus-type schemes in a district plan bring their own costs and risks. To work, bonus schemes need to establish a threshold beyond which development is only possible if the bonus provisions are utilised. Thus in a residential setting, the provision of affordable housing could trigger the ability of the developer to add more market rate units, above normal height or density standards. There are a number of issues to address:

- Why is the bonus available for some forms of benefit, but not others – why is affordable housing picked out, compared to say energy efficiency?
- As the bonus scheme allows for taller or more dense development (and the consequent effects on general amenity such as overlooking, dominance, reduced daylight/sunlight admission), then why isn't this taller or more dense development more generally available?
- Those who benefit from the additional development (lower income residents) are different from those who bear the costs (neighbours of taller or more dense development).

These are not insurmountable problems, but nevertheless show the complexities of the issues involved.

With moves in the AUP to free up density requirements, the main option to incentivise the provision of affordable housing is via additional height. For example, for every 50m<sup>2</sup> of retained affordable housing floorspace provided, up to 150m<sup>2</sup> to 200m<sup>2</sup> of additional market rate floorspace could be provided, for up to two additional stories.

In areas proposed for terrace houses and apartments, maximum building heights without the bonus may be:

- 21m (6 storeys) - within 250m radius of metropolitan centres and town centres
- 15m (4 storeys) - within 250m radius of town and local centres, and corridors.

On a 1500m<sup>2</sup> lot with 50% building coverage, each additional floor to an apartment building could accommodate between 2 to 3 extra units. An additional two storeys of development would therefore be a substantial bonus. However, the additional storeys are likely to have to set back, or otherwise designed to reduce their visual impact.

### **What are the risks and the alternatives?**

One of the main risks with the Unitary Plan-based retained affordable scheme is that development stalls, and as a result no affordable housing is provided. Development may stall because of the requirement, or because of low overall demand overall, or difficulties in obtaining buyers for the affordable units. In other words, the scheme is reliant on there being a steady stream of new subdivisions and there being processes in place for the affordable units to be brought.

There are also risks that the affordable lots and / or units provided are not administered correctly. Council may not have the resources to monitor covenants and consent conditions meaning that units provided “seep” into the general housing market, while the not for profit sector may not be large enough and robust enough to be able to purchase, on-sell and administer the retained affordable housing that will be provided.

The other alternatives to ensuring that the stock of retained, affordable housing is added to generally involves some form of tax or public subsidy.

A tax on the value uplift gained when land moves from a non-urban to an urban zoning (or from a low density to a high density use) could be used to fund affordable housing provided by the council, or provided by a partner organisation like a Community Housing Trust. However it is not easy for the council to collect this tax. There would need to be a law change to make it legal for the council (rather than central government) to do so.

Various proposals for a land tax have been floated in the past, but have not found favour with central government (such as the proposal from the 2010 Tax Working Group).

Subsidies funded from general taxes or rates could be used to help lower income households, and/or support the community housing sector to build affordable homes. For example, the Government once provided cheaper loans for first home owners, while for renters the accommodation supplement is available. There is a danger that these subsidies get captured by landowners (who recognise that homeowners can afford to pay a higher price for a home due to the assistance that they receive).

Any scheme that seeks to increase the number of affordable houses implies some form of cost or subsidy, if there is no certainty that the market place can deliver the desired outcome. The question then turns to which option will provide the largest benefit for the least money, and how equitably are any costs shared. In all cases a strong Community Housing Sector is important to be a secure owner and manager of affordable units created through planning requirements or direct subsidy.

**Possible Retained, Affordable Housing Provision.**  
**(First draft, 11 December 2012)**

**Requirement to provide retained, affordable housing**

In areas subject to a structure plan as required by (relevant policy):

Major housing developments (subdivisions or developments creating 10 or more lots or units) in areas subject to Structure Plan requirements are to provide 10% of future lots and/or units as retained, affordable units, as set out in an approved Affordable Housing Assessment. The retained affordable housing requirement is to form part of the structure plan and be incorporated in the required plan change to rezone land from Future Urban to relevant urban zones.

In Local, Regional and Metropolitan Centres Zones and Terrace Housing and Apartment Zones:

Residential developments of more than 10 units may apply, as a restricted discretionary activity, for additional building height, up to a maximum of 2 storeys, if they incorporate retained affordable housing into the development. The additional bonus floorspace available shall be at a maximum rate of 1m<sup>2</sup> of additional floorspace for every 0.25m<sup>2</sup> of affordable housing floorspace, as set out in an approved Affordable Housing Assessment.

**Retained Affordable Housing**

To be retained, affordable units, the lots or units must be:

1. offered for sale at or below the appropriate price;
2. offered for sale to eligible buyers;
3. be of reasonable quality;
4. be located within the development and
5. subject to a legally binding agreement to ensure these requirements are met in perpetuity.

*Price Points*

Dwelling units are to be affordable to households on 80 to 110% of area median income for the Auckland Region, based on these households spending no more than 30% of their income on housing (rent or mortgage repayments) and in the case of purchase, normal bank lending criteria.

Area median incomes and affordable price points for lots only and lots and dwelling units (exclusive of GST) are to be published annually by the Council.

For example:

	Median household income	Lots	Lots plus dwellings
100%	\$80,000	\$225,000	\$405,000
80%	\$64,000	\$163,000	\$325,000
110%	\$88,000	\$252,000	\$450,000

Purchase prices of dwellings may be increased by 10% where:

- The dwellings have been certified as being energy efficient (eg 5 star rating or similar), and

- Are located within 200m of a bus, train or ferry service with greater than one hour frequency during off-peak times (ie between 9am and 3pm).

#### *Eligibility*

Affordable housing dwellings must be sold to eligible buyers, being either:

- a person or persons who is assessed as being eligible by the Council based on assessment of (combined) annual income and existing assets; or
- a recognised community housing provider who is registered with the council as being an pre-approved purchaser.

#### *Quality*

The development must comply with the following criteria:

- the exterior appearance of affordable housing residences must be reasonably similar or complementary to other dwellings in the nature and quality of exterior building materials and finishes;
- affordable housing dwellings must be sited in no less desirable locations than other allotments or dwellings to be developed, and where possible, integrated across the development and not clustered together;
- the quality of materials used for the construction of affordable housing dwellings must be equal to those of the other dwellings in the development.

#### *Location*

The affordable units must be located within the development. Off-site locations shall only be considered where the off-site location is generally within the area of the development and offers a superior outcome in terms of access to services and transport.

#### *Retention*

The lot and/or dwelling is to be subject to a retention mechanism that is agreed to by the council and may involve:

- Sale to an approved Community Housing Provider, or
- Subject to a covenant or consent notice that limits rent or resale (including future dwelling in the case of a lot only) to an occupier who is approved by the council as meeting income and asset criteria ; or
- Subject to a covenant or consent notice that limits rent and resale by a formula which ensures that the dwelling remains affordable into the long term (including future dwelling in the case of a lot only).

### **Affordable Housing Assessment**

Resource consent applications for developments that are required to provide retained, affordable housing or wish to claim a retained, affordable housing bonus are to provide an Affordable Housing Assessment. This assessment is to specify how the development will meet the requirements relating to retained, affordable housing and is to include:

1. the total number and type of all dwellings in the development (including affordable housing dwellings); and
2. for the affordable housing component of the development (which is required to reflect a similar mix and types of housing /dwellings as the rest of the development) the intended:

- Price (including any proposed variances for approval);
- Dwelling form/design – units should be of good quality, and similar to or complementary with the rest of the development,
- Dwelling size and number of bedroom – reflecting likely demand in the area (number of one and two bedroom units for example). Dwelling units are to meet the required minimum units sizes.
- Dwelling location and design - where possible, affordable units should be located so as to maximise access to transport and services and be designed to be energy efficient
- Staging - in the event that the land is to be developed in stages, the affordable housing residences must be developed concurrently with the development of surrounding allotments and residences.

In the case of the bonus provision, the affordable housing assessment is to also address the design of the additional storeys of development to ensure that the impacts of these storeys are appropriately mitigated, such as their set back from the main facade of the building...

A consent notice will be required to ensure that the affordable lots or units to be provided by way of the Affordable Housing Assessment are delivered by current or subsequent consent holders.

Modifications of Affordable Housing Assessments shall be considered as a Discretionary Activity.