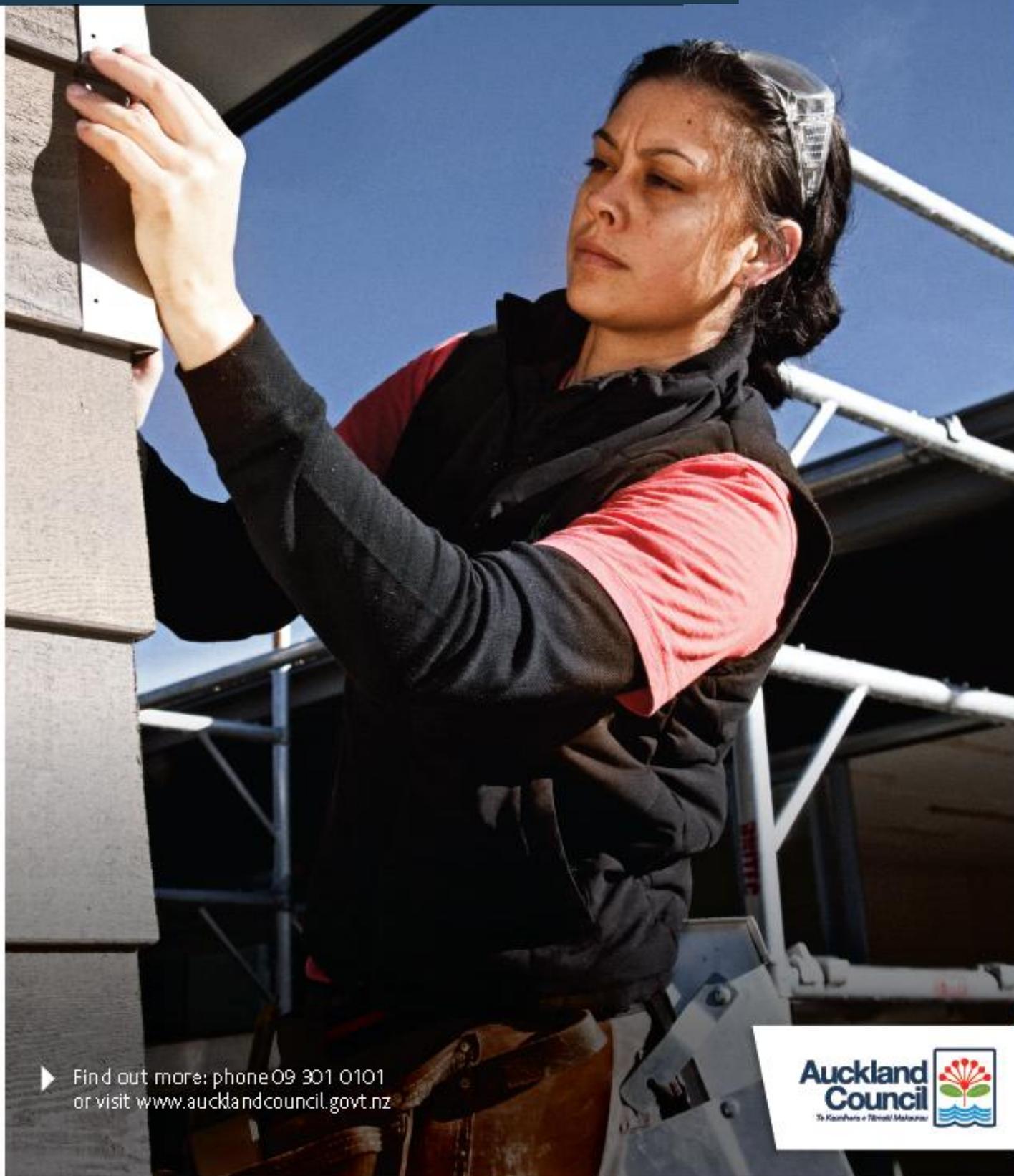


# Housing Action Plan

## Stage 1

December 2012



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or visit [www.aucklandcouncil.govt.nz](http://www.aucklandcouncil.govt.nz)

**Auckland Council**  
Te Kaitiaki o Te Whiriwhiri Māori



In developing this Action Plan, Council acknowledges the significant contributions, common knowledge shared and review by an External Housing Reference Group, an independent reviewer, and other developers, community housing providers, Maori housing authorities, central government and key stakeholders.

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# Mayoral Foreword

Next to transport, housing is the biggest issue that Auckland faces. It has become a problem of such scale that the Auckland Plan refers to it as a housing crisis, and calls for a housing action plan to be developed and implemented urgently.

Most people know that there is an affordability problem in Auckland and there has been extensive media coverage recently. We know that house prices in Auckland keep on rising, the median price currently being more than \$500,000. We also know that there are many hard working families and people who simply cannot afford to buy a house. Yet we may not always appreciate the depth and scale of the problem. It is projected that, by 2040, only around 30% of households will be able to afford a house over \$400,000. Another 30% (around 120,000 households) will need a house in the \$275,000 to \$375,000 price range, and there will be 40% (around 160,000 households) who probably cannot afford to buy a house and will need affordable rental accommodation. This is not a situation that supports the stable families and communities that are so important for a healthy society.

Auckland will need around 400,000 new dwellings over the next 30 years. The market – our developers and builders – will deliver the bulk of those. I believe that once the economy recovers, the market will respond accordingly, but perhaps still not sufficiently. There is particularly a shortage in the lower end of the price range - \$300 000 to \$400 000. To create the communities we want, and to make Auckland the world's most liveable city, this gap in the market must be addressed. We have to find ways to deliver more homes and more affordable homes.

Central government has responded to the Productivity Commission's investigation into housing affordability with a programme of its own, which focuses on the supply side of housing.

The Council's Action Plan looks at the role that the Auckland Council can play in both the broader issue of housing supply, as well as the role it can play in affordable housing – the tools and levers the Council can use to influence housing. The matter of land supply is not dealt with in this Action Plan, but rather through the Unitary Plan currently being developed. This Action Plan will also be followed by a second phase that will look at the broader housing market beyond the Council's control, and what additional levers can be used to positively influence the market.

Aucklanders must be housed in a way they can afford. It is estimated that we are already short of between 20,000 and 30,000 homes. Now more than ever, Auckland's housing issues have to be addressed. We clearly have a leadership role and the Council can and will play its part in achieving the goal of housing our people.

Len Brown  
Mayor of Auckland

# Executive Summary

## SECURE, HEALTHY AND AFFORDABLE HOUSING FOR ALL AUCKLANDERS

### OUR 32 ACTIONS TO IMPROVE HOUSING SUPPLY, AFFORDABILITY, QUALITY AND CHOICE

The Auckland Plan acknowledges that solving Auckland's housing crisis requires all sectors which influence housing supply, affordability, quality and choice to work together. One of the Directives in the Auckland Plan is to develop and deliver on a multi sector strategic housing action plan to address Auckland's housing issues. This Action Plan is Stage 1 of that multi sector housing action plan. Stage 1 generally identifies the non-regulatory tools and levers that Council can use to influence housing.

The numbering of the priority areas and actions does not necessarily indicate the importance nor priority for implementation. It is also acknowledged that a number of actions need to be developed as integrated packages, whilst some actions may be mutually exclusive.

The Council has five key roles: facilitator (F); planning authority (P); service provider (SP); regulator (R) and advocate (A). This Action Plan has a particular focus on the non-regulatory tools Council can use to facilitate and improve the provision of housing.

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## Priority area 1: Driving housing opportunities on council owned land and property

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### ACTION 1.

Increase the ability of Auckland Council Property Limited (ACPL) to work and partner with others to promote housing developments on Council owned land, through supporting the use of a range of different approaches and giving greater weight to the use of council land for housing rather than other Council services. (F)

### ACTION 2.

Investigate options for speeding up the process for property rationalisation. (F)

### ACTION 3.

Allow ACPL to calculate the financial viability of a housing project using the actual cost of borrowing rather than the standard Council rate. (F)

### ACTION 4.

Amend the ACPL Statement of Intent to ensure that the mandate, targets and accountability for delivery of housing outcomes are in place. (F)

### ACTION 5.

Enable redevelopment projects on existing Council Housing for the Elderly (HFE) sites while maintaining at least the existing number of units for older people in the Council property portfolio. (F), (P), (SP)

### ACTION 6.

Enable ACPL to carry out strategic acquisitions to expand the opportunity for Council to use its land and property to undertake housing development projects and increase the overall number of housing units that can be delivered using the Strategic Development Fund (see Box 5) where appropriate. (P,F)

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#### **ACTION 7.**

Investigate the opportunities for Council to play a greater role in the delivery of urban transformation outcomes through property, partnerships and special delivery vehicles. (P,F)

#### **ACTION 8.**

Facilitate partnerships on Council-owned sites with the potential to create exemplar housing developments demonstrating quality, medium density urban neighbourhoods, affordable to a range of households types and incomes, well-connected to transport and other essential facilities and services. (P,F)

#### **ACTION 9.**

Use existing Council-owned housing stock to help grow the Community Housing Sector by investigating the management options of Council-owned housing stock including transfer of assets to existing community housing providers or forming a specialist housing provider for older people. (F, SP)

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### **Priority area 2:**

## **Encouraging take up of existing development capacity that is available to be used**

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#### **ACTION 10.**

Investigate ways rating policy could be changed or improved to incentivise development of undeveloped land in existing urban areas and greenfields. (P,R)

#### **ACTION 11.**

Investigate if unregulated investment is a driver of the Auckland Housing Market and assess whether this contributes to suggested property speculation or land banking and what useful and practicable regulatory options could be applied. (P)

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### **Priority area 3:**

## **New money, new thinking to secure investment and improve housing supply**

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#### **ACTION 12.**

Investigate how Council could act as a guarantor for a pilot housing bond to facilitate start up loans for first home buyers or providers of secure affordable rental or leased accommodation administered by Community Housing Organisation schemes. (F)

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### **Priority area 4:**

## **Financing infrastructure, increasing housing supply and improving housing affordability**

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#### **ACTION 13.**

Investigate a pilot to consider the benefits and disadvantages of development contributions for smaller residential projects on a per square metre basis. For larger projects, e.g. Greenfields, this will be on a per hectare basis. (P,R)

#### **ACTION 14.**

Expand the postponement of development contributions through a payment deferral facility. (R)

#### **ACTION 15.**

Undertake more thorough empirical research showing the cost of servicing different types of development and assessing the impacts of location on that cost. (R, P)

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## **Priority area 5:**

### **Value capture through a betterment levy to enable infrastructure or affordable housing**

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#### **ACTION 16.**

Investigate the opportunity to capture part of the windfall gain made by landowners resulting from the public decision to re-zone land to urban or to substantially upzone land in order to fund infrastructure or affordable housing. (R)

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## **Priority area 6:**

### **Inclusionary zoning options to be tested through the draft Unitary Plan informal consultation process**

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#### **ACTION 17.**

Test an inclusionary zoning regulation, for informal feedback as an addendum to the draft Unitary Plan in March 2013. (R)

#### **ACTION 18.**

Prepare an updated Auckland housing market needs assessment taking into consideration the diverse submarkets. (P)

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## **Priority area 7:**

### **Regulatory Processes**

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#### **ACTION 19.**

Key Account Managers/Senior Leads appointed and available to meet in pre-application meetings for significant housing developments and ensure continuity from beginning to end of the consent and issuing process. (R,SP)

#### **ACTION 20.**

Develop pilot for “one deposit” consents for multiple housing typologies and small houses on small lots at Hobsonville and explore whether this has more universal application. (R, SP)

#### **ACTION 21.**

Expand the pilot for building consent pre-approval of generic housing types. (R, SP)

#### **ACTION 22.**

Maintain a minimum of 95% building consents issued within a statutory timeframe and 95% of code of compliance within the statutory time frames when residential building activity increases. (R, SP)

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## **Priority area 8:**

### **Improving the quality of existing and new housing**

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#### **ACTION 23.**

Undertake retrofit assessment of Council owned stock. (SP)

#### **ACTION 24.**

Council facilitate a trial landlord WOF scheme through a combined Auckland Council, Beacon Pathway and CMDHB partnership. (R)

#### **ACTION 25.**

Undertake a Social Return on Investment evaluation of council's current Retrofit Your Home Programme (RYH) to analyse how well the programme is delivering to the Auckland Plan targets for improving housing quality and environmental performance particularly in order to achieve increased take up in rental accommodation. (SP)

#### **ACTION 26.**

Continue to investigate the use of a minimum Homestar rating for all new housing at an affordable cost and include a whole of life cost benefit analysis. (P, R)

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### **Priority area 9:**

## **Papakāinga and housing for Māori**

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#### **ACTION 27.**

Continue to support the development of the Māori Land Programme which identifies papakāinga as a priority. (P)

#### **ACTION 28.**

Support enhancing the capacity of Māori housing providers through opportunities for development partnerships on Māori-owned and other land. (P)

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### **Priority area 10:**

## **Housing for Pacific Peoples**

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#### **ACTION 29.**

Pursue partnerships to deliver provide culturally appropriate, quality, affordable and secure housing for Pacific peoples. (P)

#### **ACTION 30.**

Continue to work with COMET and community-based education providers to deliver programmes to prepare Pacific peoples for homeownership and affordable housing provision generally. (F, SP)

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### **Priority area 11:**

## **More secure rental tenure**

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#### **ACTION 31.**

Explore the necessary changes required to current legislation and policy structure that balances tenants' and landlords' rights and obligations that will enable long term secure rental sector to develop. (P, A)

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### **Priority area 12:**

## **Removing legislative barriers**

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#### **ACTION 32.**

Explore improvements to legislation that covers common property. (A)

# 1. Introduction

## 1.1 Housing in Auckland

The Auckland Plan recognises that secure, quality, healthy and affordable housing is fundamental to economic prosperity and the well-being of individuals, family/whanau and society as a whole. Housing is critical to achieving the transformational shifts needed to make Auckland the “world’s most liveable city,” in particular:

- Radically improve the quality of urban living
- Substantially raise living standards for all Aucklanders and focus on those most in need
- Significantly lift Maori social and economic well-being
- Strongly commit to environmental action and green growth

The Auckland Plan (Chapter 11) recognises that there is a housing crisis in Auckland, with a chronic and increasing shortfall in supply, affordability, diversity and quality of housing stock. These are the challenges similar to many international cities particularly in Australia, Canada, United States and United Kingdom.

There are many factors, both supply and demand, which have contributed to the current shortage and high costs of Auckland’s housing.

Low interest rates have increased demand from first home buyers and investors, and the volume of house building has significantly decreased over the last 10 years. At the same time, there has not been sufficient “ready to go” serviced land. There are also major challenges with providing and funding adequate infrastructure. Developers and builders have been faced with a complex planning and approvals process and a lack of financing during the Global Financial Crisis. The structure of new housing development in New Zealand also needs to be considered. The Greenfield residential development sector in New Zealand, Australia and North America is essentially divided into two distinct parts – firstly that of land developer and secondly that of house builder. Typically the land developer undertakes the development of raw land to completed and titled lots which are then on-sold to house builders (both individual and group builders) who then undertake the construction and sale of houses to the final purchaser. This structure can have an impact on costs.

Over the last decade, house prices, have outstripped increases in income and are now more than six times the median household income. The prices of homes in the lowest quartile have increased, particularly affecting first home buyers and those on lower and medium incomes.

Expectations have also changed over time, with the size of a new, average standalone house in Auckland growing from approximately 120m<sup>2</sup> up to 220m<sup>2</sup>.

Although rental price levels have been quite stable over the last decade, they are now also increasing.

In 2006, national home ownership levels had dropped to 64% and continue to fall. Moreover, there is a large disparity between home ownership rates for Maori and Pacific communities and the rest of the population. Inadequate and unaffordable housing is also directly linked to child poverty.

Over 70 percent of all children in poverty live in rental accommodation (20 percent in HNZN state housing and 50 percent in private rental accommodation). Research suggests that a significant proportion of these private rentals are of poor quality and the cause of many health issues for children, including infectious diseases, respiratory illnesses and preventable injuries.

Much of today’s existing stock is of poor quality, contributing to poor health, social, economic and environmental outcomes. Large scale improvement programmes are required to reach a standard that will not only save households the costs of running these poorly performing houses, but also save taxpayers the cost of health, lost productivity and environmental degradation.

The Auckland Plan acknowledges that solving Auckland’s housing crisis requires all sectors to work together. One of the Directives in the Auckland Plan is to develop and deliver on a multi sector strategic housing action plan to address Auckland’s housing issues. Stage 1 of this Action Plan focuses on Council’s role and the, tools and levers that Council can use to influence housing. The Council has five key roles:

- facilitator;
- planning authority;
- service provider;

- regulator;
- advocate.

Council is currently improving its regulatory planning policy through the Unitary Plan, therefore, this Action Plan has a particular focus on the complementary, non-regulatory tools Council can use to facilitate and improve the provision of housing.

Both Central Government and Council agree that housing is a complex issue, and that there is no “silver bullet” to solve Auckland’s housing crisis. Central government has indicated it will work alongside the Council; and is developing a work programme following its response to the Productivity Commission’s Report on Housing Affordability and the Social Housing Reform Programme. Council will be working closely with the Government so that there are shared work programmes with the development sector, housing providers, industry sectors, and Maori housing authorities.

## 1.2 The Auckland Plan and Housing

The Auckland Plan seeks to have all Aucklanders housed in secure, healthy homes they can afford. Its focus is on four priorities:

- Priority 1** Increase housing supply to meet demand
- Priority 2** Increase housing choice to meet diverse preferences and needs
- Priority 3** Improve the quality of existing and new housing
- Priority 4** Improve housing affordability and the supply of affordable housing

This Action Plan is a first step in delivering the Directive 11.1 in the Housing Chapter of the Auckland Plan:

**Directive 11.1** Develop and deliver on a multi-sector Housing Strategic Action Plan to achieve the required increase in housing supply, including options to increase affordable housing supply for first home buyers.

## 1.3 Scope and Objectives of the Housing Action Plan – Stage One

The focus of the first stage of the Housing Action Plan is to identify the roles that Council can play

in improving housing supply, affordability, choice and quality. The Council has listened to the developer and housing industry sectors, who have helped to shape this Action Plan, and agree, that planning regulation by itself will not deliver the number and range of houses required to meet Auckland’s critical supply needs, especially for low to medium income households.

The Auckland Plan recognises there is a continuum of housing need from homelessness through social housing, affordable rental and home ownership to market rental and home ownership. Council will use appropriate planning, regulatory and financial levers to increase overall supply, choice, quality and affordability. Council will address the specific needs of the homeless through the Regional Homelessness Action Plan.

### Objectives of Stage 1 of the Housing Action Plan:

1. Increase housing supply and choice on all developable land.
2. Deliver, through partnerships on council owned land, exemplar developments that showcase quality, medium density, affordable housing for a range of household types and incomes that enables mixed communities.
3. Increase affordable housing supply, including assisted home ownership and affordable rental, by intervention that targets households between 80-120% median household income that are not the focus for government assistance (on all developable land including council owned land).
4. Increase levels of home ownership overall to meet the target of at least 64% in the Auckland Plan, including a particular focus on increasing home ownership for Maori and Pacific peoples.
5. Minimise the impacts of the costs of infrastructure on housing affordability.
6. Improve the quality of existing housing stock.
7. Encourage and demonstrate innovation in, partnerships, financing, design and construction to increase supply, quality, choice and affordability.

## BOX 1

### Housing Definitions

The following definitions are from the Auckland Plan.

**A) Housing Affordability** refers to the costs of renting or purchasing a home, in relation to a household's income. This includes the cost of construction and the supply of serviced land. Affordability can be affected by the interplay of a wide range of factors including, taxation and fiscal policy, planning and regulatory requirements and costs; industry practice and productivity, migration and demographic changes. These factors affect housing costs for a very broad cross-section of society.

There are different ways to measure housing affordability. The "median house prices" measure looks at the ratio of median house prices to average household income. The "residual measure" looks at the amount of income that is left over after a household has deducted housing expenses. There is no agreed New Zealand definition or measure of affordability. The most common international benchmark is that households should not spend more than 30% of gross household income on housing costs. Assets and disposable income could also be part of the consideration.

**B) Affordable Housing in New Zealand** has no legislative or regulatory definition of affordable housing. This is a specific term used overseas such as in the United Kingdom for housing which is affordable in perpetuity and requires intervention. Affordable housing is usually targeted at those in household income bands from 80% to 120% of the median household income (MHI), who are not eligible for "social" housing, but still need assistance to either secure home ownership or a long-term rental. For the purposes of this Action Plan "affordable housing" is based on the international benchmark that households should not spend more than 30% of gross household income on housing costs. This could include housing that assists home ownership or affordable rental and is generally provided by Community Housing Organisations

**C) Social housing** is subsidised, rental housing for people on the lowest incomes, unable to pay private market rates and unlikely ever to own their home who are especially vulnerable and will also have special needs. Social housing includes emergency housing, refugees, and supported group homes. Currently, the vast majority of social housing is provided by Housing New Zealand and is usually referred to as "state housing". Social housing is also provided to a much lesser extent by Auckland Council (Housing for Older People- also known as Housing for the Elderly) and Community Housing Providers.

The following definitions provide further perspectives:

**D) Community Housing Organisations (CHOs) and Housing Providers (HPs)** are terms which are used interchangeably. Community Housing Organisations are organisations that provide affordable rental

properties at below market prices and affordable equity housing for people on low to modest incomes.

The current Central Government definition is: <sup>1</sup> a **"housing provider"** is a sustainable business whose core activity is to provide and/or own social or affordable rental housing, or a combination of rental with some assisted home ownership (as part of its asset management strategy, targeted at specific client groups and areas of housing need. Core functions include tenancy, property and asset management. In addition, a housing provider ensures its tenants have access to additional support to ensure they can sustain their tenancies or progress to more economic independence. A social housing provider might also include tenant capacity building, tenant participation, and sustaining tenancies as part of its business model.

#### **E) Affordable Rental**

Some Community Housing Organisations provide affordable rental rates which are typically set below the market within a range of 75% to 90% of depend on household circumstances.

**F) Affordable living** considers whole of life costs of living in a home related to ongoing maintenance and costs associated with the quality of the build.

These include:

- Utilities ( especially for heating)
- Private health costs resulting from illness caused by the home
- Maintenance
- Transportation to and from the home to employment and amenity
- Insurance
- Rates

#### **G) Affordable housing relative to the market median house price**

This Action Plan makes a distinction between affordable housing relative to the market median house price and "affordable housing" in perpetuity. An example of affordable housing relative to the market median house price is Hobsonville Point's quota of 20%. This will be achieved through market innovation and the construction of smaller dwellings on smaller lots of land. This housing is unlikely to remain affordable in the future, because its value will increase with the market, and will likely become unaffordable relative to the median income, following resale. That being said, these types of market solutions are an important contribution to the supply of housing that is below the median house price and to greater choice and more mixed communities. It is proposed in Priority area 6 that there should be a 30% target of housing below the market median house price in the Unitary Plan.

<sup>1</sup> Social Housing Unit Allocation Plan 2012- 2015 This definition may be refined in Social Housing Reform Programme

## 2. Key Areas of Actions

This section describes the key priority areas of action required by Council, to make a difference to the supply, affordability, choice and quality of housing.

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### Priority area 1:

#### Driving housing opportunities on council owned land and property

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Auckland Council is a significant landholder in the Auckland region with around 8,000 properties at a capital value of approximately \$7.5b, the vast majority of which are owned for parks, community facilities and infrastructure services. These property holdings are distributed throughout the region.

The Auckland Council Property Strategy states that Council owns property, not for purely commercial reasons, but to support the achievement of broader outcomes across Auckland. These include the provision of services to the community, including future service provision, and promoting urban regeneration and renewal. The strategy also highlights that with such a substantial property portfolio, Auckland Council has significant potential to use property to deliver desired housing outcomes through the strategic use of its portfolio.

A significant proportion of Council owned land (around 90% based on value) is used to provide community services such as transport, libraries, parks, community facilities and housing for the elderly. Once this is taken into account, the remaining land that is classified as non-service land is around \$550m or approximately 300 hectares. Of this remaining non-service land, it is yet to be determined whether this is suitable or desirable for housing development. There is therefore a limited amount of land that could be used to support the delivery of housing and this places a constraint on what can be achieved with the existing Council landholdings. Even if all of the available land is deemed to be suitable for

housing development, at an average rate of 30 dwellings per hectare, which is reasonable high by Auckland standards, this would still only result in 9,000 additional dwellings.

At present, Auckland Council and Auckland Council Property Limited (a Council Controlled Organisation) are undertaking a review of the Council property portfolio. The purpose of the review is to ensure that Council is making the most efficient use of its property. This involves assessing whether properties are required to deliver Council services now or in the future and, where they are not, determining the best course of action for that property. This review process provides a prime opportunity to identify potential sites that could be used for housing development. However, the current assessment process prioritises Council service needs ahead of housing needs. This may need to change as part of Council's contribution to addressing the housing crisis.

#### ACTION 1.

**Increase the ability of Auckland Council Property Limited (ACPL) to work and partner with others to promote housing developments on Council owned land, through supporting the use of a range of different approaches and giving greater weight to the use of council land for housing rather than other Council services.**

There are many international examples where Government-led housing development opportunities are delivered through purpose built entities that have the appropriate mandate, powers and processes. This allows the entity to operate at arm's length to the Council or Government agency but still be under the overall control of the public sector. Auckland Council already has an established council controlled organisation, ACPL, which operates in this way.

ACPL is an established entity with a mandate for managing Council land and property that is not being used to provide services to the community. It is these 'non-service' properties that have the greatest potential for housing development opportunities. Alongside having the appropriate legislative and financial tools, ACPL also has a focus on delivery of housing development projects, as set out in their Statement of Intent. It is therefore recommended that ACPL continues to provide this role for Council.

The existing property portfolio review process has been jointly developed by Auckland Council

and ACPL. Overall, the process works well, but there are some minor improvements that could be made to ensure that housing outcomes are prioritised.

Once it is determined that a property is not required for a current or future service need, details of the site are circulated throughout the Council to ascertain whether any other department has any interest in the property. This results in numerous requests from a range of different Council departments for properties to be used to deliver a variety of services. Once these service requirements have been assessed and it has been determined that the site is not required for these purposes, the site is then reviewed for its suitability as a housing

development. This means that service needs are prioritised above housing needs. If a housing assessment of the site was carried out alongside the service needs assessment, then the potential for the site to deliver housing outcomes, could be weighed against the other potential uses to ensure that housing is given a higher level of priority in relation to other services.

Housing assessments of non-service property have been carried out by a range of different staff within Council with no common set of criteria. A common set of criteria that should be used when assessing Council sites has been developed (see Box 2 below). These assessments need to be carried out by appropriately qualified staff.

## BOX 2

### Housing Suitability Assessment Criteria to be used by AC and ACPL

Assessment of a site's suitability for housing is based on the following criteria:

- Auckland Plan Development Strategy and directives
- Location (including proximity to public transport, social infrastructure and commercial activities)
- District Plan zoning – Unitary Plan zoning
- Size of the site
- Development potential (including market attractiveness and development constraints)
- Development economics (feasibility)
- Assessment of surrounding sites for amalgamation opportunities

ACPL is already working on a number of housing projects in partnership with external parties and will continue to use a range of approaches to facilitate the delivery of housing outcomes on Council owned land and property. These include:

- Identifying sites within Council's property portfolio that are suitable for housing development and establishing the best approach to facilitate good housing outcomes. There are a range of approaches available along a continuum from sale of the land to an appropriate party through to partnership arrangements with the private sector (including Joint Ventures and Public Private Partnerships) through to Council led development. The appropriate approach in each case will depend upon the circumstances of the particular site.
- Partnering with a range of organisations from all sectors including developers, community housing providers, Maori housing providers, government agencies such as Housing NZ and special purpose vehicles such as the Hobsonville Land

Company and Tamaki Redevelopment Company.

- Selling Council land at market rates but applying flexibility around terms to incentivise development and establishing appropriate controls such as design review. This is done on a case by case basis working with developers to ascertain their needs and considering how these can be accommodated. This may include holding the land until the development is complete and receiving payment upon sale of developed units. It may also include entering into development agreements or including conditions on sale and purchase agreements.
- Identifying the potential to work with surrounding landowners to achieve more comprehensive developments. ACPL would play a facilitation role, bringing together the necessary parties to try to improve the overall outcomes that can be achieved using Council land.

- Making sites more readily available for development using Council processes to take some of the costs away from the developer. This may include zoning changes for the site or facilitating regulatory processes that ACPL is well placed to do as an arm of Auckland Council.
- Identifying possibilities to combine housing projects with development of community facilities where appropriate

Council will support ACPL by continuing to give them the mandate to make decisions about the best way to deliver housing outcomes on Council owned land. This includes entering into appropriate arrangements with third parties. ACPL will continue to report to Council on housing outcomes to demonstrate what is being delivered and to give Council confidence in the activities being undertaken.

## BOX 3

### New Lynn Joint Venture Case Study

One of the options available to Council is to enter into partnerships with third parties to deliver housing outcomes in appropriate areas. This is only likely to happen where the desired outcomes cannot be achieved on the site through other options where Council's involvement is less. There are a number of different partnership arrangements including joint ventures (JVs) and public private partnerships (PPPs). The approach taken for each development opportunity will vary depending on the circumstances.

The New Lynn project is an example of a joint venture between the Council and a private developer. The JV was established in 2008 through a Memorandum of Understanding (MOU) and subsequent development agreement which was signed by Waitakere City Council and Infratil Infrastructure Property Limited in 2010. The development agreement outlines:

- The previous agreements entered into between the parties
- The vision for the area as established in the New Lynn Urban Plan
- The guiding principles for working together
- The terms of the joint development including governance arrangements
- Specific requirements relating to the development of individual sites

In the case of New Lynn, there are a number of benefits to entering into a partnership model with a third party. When considering potential partnerships in the future, it is the potential benefits, such as these, that should help to determine whether this is a worthwhile approach:

- The JV agreement enabled the Council to clearly set out the principles for development of the area and ensure that partners conformed to these principles, potentially delivering over and above what would have otherwise been achieved in the site.
- The development was able to be delivered using both Council and privately owned properties without the need to acquire all of the sites in advance.
- The Council, as an active partner in the development, was able to future proof certain elements that may not have been carried out by the developer at the time to improve the financial return. This enabled future development to occur without delay and restrictions.
- The partnership arrangement allowed the Council to approve the designs for the development to allow broader urban design outcomes to be considered in advance of consent applications. This helped to ensure that broader objectives were being met through the development.
- Council had capital invested in the project (mostly in the land) which gave more leverage to incentivise development to occur in a manner and timeframe that was appropriate.
- The Council provided a facilitation role to ensure that appropriate infrastructure works were carried out that would enable the development of the sites. In addition, the partners had the first right of refusal to develop the Council land, which gave them more certainty.

## **ACTION 2.**

### **Investigate options for speeding up the process for property rationalisation.**

Currently, it is a lengthy process for identifying a surplus property that is no longer needed for service provision to the point at which the site can be developed for an alternative use. This is largely due to the amount of consultation that is required throughout the process and the assessment of the competing requests for use of the property. It is important that ACPL and Auckland Council find a way to speed up this process so that potential housing developments can be progressed more rapidly. However, it is still important to ensure that there is rigour around the process and that the relevant stakeholders are able to provide input. This will need to be investigated further.

## **ACTION 3.**

### **Allow ACPL to calculate the financial viability of a housing project using the actual cost of borrowing rather than the standard Council rate.**

The interest rate used within Council to establish the costs of a project using debt funding, is calculated based on a standard rate. This is based on projected changes in interest rates over time and is therefore higher than the current cost of borrowing. Interest rates in the short term (over the next five years) are likely to remain significantly lower than the standard rate, and therefore calculating the true cost of borrowing can make a significant cost to the overall project costs.

For projects that require debt funding, but have a short term payback period and interest rates are known for the duration of the project, the actual rate can be charged, rather than the standard rate. This reduces the overall cost of the project as the interest payment is around 4% compared with the standard 7%. This is likely to be applied in cases such as where the Strategic Development Fund (SDF) is used for land acquisition to fund a development project. The SDF is a debt funded fund that requires any project to repay the amount used, plus the interest, over a particular period of time. By using the true cost of borrowing for the amount required, this will reduce the costs associated with a project, which will potentially make it more financially viable. However, this would only be

used in circumstances where the payback period is defined and Council is confident that the project is low risk and the return will be realised.

This costs saving will potentially be passed onto developers when ACPL enter into a Joint Venture through lowering the cost of the transaction.

## **ACTION 4.**

### **Amend the ACPL Statement of Intent to ensure that the mandate, targets and accountability for delivery of housing outcomes are in place.**

The current ACPL Statement of Intent reflects the ambition for ACPL to be involved in the delivery of housing outcomes in line with the Auckland Plan. It links ACPL activity to Strategic Direction 11 which is to “House all Aucklanders in secure, healthy homes that they can afford”. It also has a specific activity area-the Housing Delivery Project Activity. The proposed outcomes of this activity are:

- Identification of housing development opportunities and scoping of projects, including partnership parties
- Project focus on achieving benefits as set out in approved Business Cases – these benefits to be included as performance measures in relevant years
- Project milestones reported quarterly and completed on time, with business case results achieved
- Project costs and revenues effectively controlled and reported
- Any risks associated with the project are reported and managed effectively
- Delivery of exemplar housing projects

However, the current Statement of Intent does not include explicit targets in relation to this activity and many of the impacts and outcomes are around the successful management of projects rather than the outcomes achieved. It is therefore proposed that the Statement of Intent is updated to include specific targets relating to housing outcomes, including:

- Amendment of the Housing Development Projects Activity to include outcomes relating to delivery of housing units, including affordable housing, through partnerships with others

- Additional targets including :
  - ACPL to undertake five housing development projects with an affordable housing component over three years which would encompass CHO involvement
  - explore at least one project with a place management component
  - enter into three joint ventures with third parties including CHOs and Maori or Pacific housing providers
- Build on the existing statement in the SOI that ACPL will take a broader view of benefits in its investment proposals by making explicit reference to undertaking a social return on investment assessment for appropriate housing projects. This will need to be undertaken over time and possibly in collaboration with others such as NZ Council for Infrastructure Development.

If specific housing targets are included in the Statement of Intent, these will automatically be reported to the Council through the existing ACPL reporting mechanisms.

## BOX 4

### Wilsher Village

The comprehensive redevelopment of the Wilsher Village site in Henderson provides an early opportunity for Council to demonstrate its commitment to leverage its land holdings and enter partnerships to provide well designed, affordable housing. Wilsher Village is housing for older persons complex close to the Henderson Metropolitan Centre. Thirty-four of the original 68 units remain, of which 24 are currently tenanted. The units require major upgrading. Council purchased five additional properties to supplement the existing Wilsher Village land, two of which were taken under the Public Works Act. The land was acquired to enable a comprehensive medium density redevelopment

The resource consent obtained in early 2012 allows for:

- 225 unit development in 8 apartment blocks for older persons.

- 74 one-bedroom, 146 two-bedroom and 5 three-bedroom units.
- Residential blocks ranging in height 4 to 6 stories.
- A central common area and activities centre of 430m<sup>2</sup>.
- Central access loop with 84 at grade car parks and extensive landscaping.
- The recommended option is to approach the market/third sector housing providers via an Expressions of Interest (EOI) process to seek responses on possible partnership opportunities to provide housing, including provision for older persons on the basis of the existing resource consent.

The EOI process will seek innovative proposals for well-designed, sustainable housing for older people. It will also indicate on what basis the market/third sector is willing to partner with Council.

### ACTION 5.

#### **Enable redevelopment projects on existing Council Housing for the Elderly (HFE) sites while maintaining at least the existing number of units for older people in the Council property portfolio.**

Auckland Council owns and manages approximately 1,500 units of housing for low income older people. These are managed by Community Development, Arts and Culture Department (CDAC). Many of these sites are underutilised and have older housing stock that is in need of significant renewal. Some of these sites therefore have the potential to be redeveloped to provide better quality housing for the existing tenants, whilst achieving higher

density housing that will increase the overall supply of housing on the site in line with the aspirations in the Auckland Plan. One such redevelopment is already being progressed at Wilsher Village in Henderson. (refer to BOX 4)

The Social Housing Asset Management Plan (AMP) sets out the capital expenditure that is committed to this housing stock over the next 10 years. In this period, only one redevelopment is proposed at Wilsher Village. In addition, there are a number of smaller renewals projects aimed at improving the existing stock. The limited capital budgets for redevelopment of these sites mean that alternative sources of funding will be required to enable this activity to take place. By redeveloping the site to a higher density and providing market housing units alongside the

replacement 'Housing for the Elderly' units, it is possible that the revenue from the sale of the private units could be used to fund the HFTE units. This is only likely to be feasible where Council already owns the site, as the land value does not need to be factored into the cost of the development.

Identifying and carrying out successful redevelopment will require a range of skills including knowledge of the Housing for the Elderly services and development knowledge. Projects will need to be carried out through a close working relationship between CDAC and ACPL to identify which sites may be appropriate for redevelopment, which will depend on a range of different factors such as the age and condition of the existing stock, the location of the site and its suitability for redevelopment and the views of the tenants.

There is also potential to align this approach with renewals budgets to ensure that investments are made where they will generate the most value. The level of investment in the project will depend on the reason for redevelopment which could include:

- Prioritise the audit of current asset condition of Council-owned housing stock. This includes approximately 1500 units of housing for older persons.
- Redevelopment as an effective way to renew existing stock where it has reached the end of its natural life
- Redevelopment as a way to get maximum value out of the land
- Redevelopment as a way of demonstrating exemplar mixed tenure developments

Part of the process for prioritising potential redevelopment options will require an audit of existing stock.

## **ACTION 6.**

**Enable ACPL to carry out strategic acquisitions to expand the opportunity for Council to use its land and property to undertake housing development projects and increase the overall number of housing units that can be delivered using the Strategic Development Fund (see Box 5) where appropriate.**

Although Council owns a significant amount of property in the Auckland region, the amount of land within the portfolio that is available for housing development is finite. There will always be a significant amount of Council land that is required for provision of public services (around 90% of the current portfolio based on value), and this land will only become available for development as the service needs change.

There is currently approximately \$550m of non-service property or approximately 300 hectares. These properties have not yet been assessed to determine if they are suitable or desirable for housing development, though it is assumed that a number of them will not be. There is a limited amount of land that could be used to facilitate the delivery of housing, which places a constraint on what can be achieved with the existing landholdings. This finite amount of property that will be available for development will only increase if new properties are acquired.

The Property Strategy sets some general principles for land acquisition which are intended to maximise efficiency. Acquisitions should be linked to service requirements and the timing of the acquisition will be influenced by a number of factors including the current market, whether the property provides a return on investment and potential changes in value. It is therefore unlikely that, under the current strategy and financial policies, acquisitions will be progressed for housing developments out of general Council budgets, as has happened in the past.

One opportunity to acquire land for housing development is to use the SDF. (refer to BOX 5) This fund does not come out of general rates and is therefore not subject to the same requirements. As it is a self-replenishing fund, it can be used to acquire land for strategic purposes, such as housing development, provided it can be demonstrated that the money will be returned to the fund over an agreed timeframe. The criteria used to determine whether projects should be given funding are not yet finalised, but as they are based on the Auckland Plan outcomes, it is likely that housing projects (particularly affordable housing) will be received favourably.

The SDF is not only directed towards housing projects and the amount of capital that would potentially be available to ACPL through this process will only enable small scale acquisitions that could be used to augment existing land holdings in an area but not to acquire significant land holdings for large scale housing development.

ACPL may acquire land where:

- Council already owns property in an area and additional acquisitions will allow sites to be amalgamated to deliver greater development potential
- A site is required by a Community Housing Organisation to deliver an affordable housing project but it is more cost effective for Council to hold the land until the development is complete
- The private sector would not deliver an appropriate solution on a site to meet the broader place shaping outcomes desired by Council

- Auckland transport projects have residual land and there is potential for integrated housing development projects.

In order for ACPL to carry out this role, it will also be necessary to review the mix of skills that exist within the organisation to ensure that the broader benefits of these types of projects are achieved and that they are not solely commercially driven.

Acquisitions should be linked to service requirements and the timing of the acquisition will be influenced by a number of factors including the current market, whether the property provides a return on investment and potential changes in value.

## BOX 5

### Strategic Development Fund

The Strategic Development Fund (SDF) contains approximately \$106M over 10 years and is an opportunity fund intended to support the outcomes of the Auckland Plan through strategic property development. This includes residential or commercial development and has a focus on achieving broader place shaping outcomes. The key component of the SDF is that it is debt funded and any project that is funded must be able to repay the amount required over a particular timeframe.

The allocation of funds in the SDF is being defined through the Strategic Development Policy which will set out:

- The criteria against which projects will be assessed (based on Auckland Plan outcomes)
- The process that will be used to prioritise projects
- The decision making framework that will determine whether projects go ahead

The Draft Strategic Development Policy will be completed by December 2012.

## ACTION 7.

### **Investigate the opportunities for Council to play a greater role in the delivery of urban transformation outcomes through property, partnerships and special delivery vehicles.**

The Unitary Plan addresses the issue of enabling regulation (zoning) to allow for additional development in both brownfield and greenfield locations. However, some consideration has been given to whether Council should play a more active role and acquire land to be used for more significant development opportunities, specifically in future urban areas.

Council would need to consider whether this type of development activity is in line with the principles in the Auckland Plan which aim to

contain the majority of new development in existing urban areas. However, the Housing Action Plan also recognises that some development will need to take place in greenfield areas and the investigation would need to consider whether Council has a role to play in the development of these sites.

In general, development projects of this scale are higher risk than smaller scale acquisitions due to the amount of funding involved and the number of units that need to be sold to generate the return. It also means that Council would be competing in the market with private developers to acquire suitable sites for development. Council therefore needs to consider whether the benefits of undertaking this type of activity outweigh the risks and this would require research into the potential outcomes that could be delivered and the costs to the business.

There are a number of examples of these types of development projects that have been delivered by government agencies in New Zealand and abroad. These types of projects are often undertaken through a development agency or similar model. They are often established as separate entities to Council or the Government, so that they can operate in a commercial environment, but are still owned by the public sector to ensure that they have broader social objectives as well. In most development agency models, the organisation would still be acting as a facilitator rather than a developer themselves, entering into appropriate partnerships with developers to deliver housing on the sites.

Although this is the role that ACPL currently occupies, it is only operating on a small scale with limited land, funding and resources available. Increasing the scale of the development activity would involve additional resourcing and capital. One option would be to allow ACPL to recycle any capital received from the sale of property to use for future acquisitions to enable housing development. This would enable ACPL to have access to a larger pool of funding without needing to draw on additional fund from Council. The investigation would need to take into account the impacts that this would have on overall Council funding as the sale of land is factored into the budgets set in the LTP.

In most development agency models, either significant amounts of land or significant amounts of funding are invested in the organisation by the Government (whether central or local).

It is difficult to determine how much capital would be required to enable a development agency, or similar model, to deliver on the housing needs outlined in the Auckland Plan. It is anticipated that 13,000 new homes are required annually in Auckland and it is anticipated that the private sector will deliver the majority of these, supported by Council in providing the appropriate infrastructure and regulatory functions. However, it is also recognised that the public sector has a role to play, particularly where the private sector can't deliver or where a development by a private party would not meet the broader outcomes desired by Council. In order to deliver 13,000 homes a year, at an average density of 30 dwellings per hectare, this would mean approximately 430 hectares of land to be developed each year.

Some of the literature surrounding development agencies in Australia gives an idea of how much land or capital is required and what is delivered as a result. The Queensland Urban Land

Development Authority was established to deliver improvements in housing affordability. The organisation is responsible for land use planning, development assessments and development in areas specified as urban development areas. The urban development areas comprise approximately 19,000 hectares of greenfield and brownfield land. However, the ULDA does not own all of this land but has greater control over how it is developed through statutory powers.

In New Zealand, one example of a recent government-led greenfield development project is the Hobsonville Point development in Auckland. The Hobsonville Land Company was set up by the Government to develop a 167 hectare site resulting in approximately 3,000 dwellings. In this case, the Government already owned the land and did not have to acquire it on the open market, making the development proposition more financially viable. The investigation will need to look at potential funding sources for acquisition or existing land holdings that could be used for development projects, including input from central Government, as well as possible delivery mechanisms for this activity.

In addition to having land and finance available to develop these areas, any development company would also need the necessary mix of skills to carry out the required functions. This includes planning, urban design, commercial focus and development management expertise. This would potentially require a combination of skills that are currently held in CCOs such as ACPL and Waterfront Auckland and those found within Council. It would also require appropriate legislative powers to make it work, such as in the Queensland ULDA example above, and the potential to transfer powers would need to be investigated further.

An alternative option to the establishment of a development agency model is using special vehicles to deliver urban regeneration outcomes in specific areas. This is similar to the Hobsonville Development Company described above, but is often used in brownfield areas. The organisation is usually only established for the life of the project and is disestablished once it is complete.

## ACTION 8.

**Facilitate partnerships on Council-owned sites with the potential to create exemplar housing developments demonstrating quality, medium density urban neighbourhoods, affordable to a range of households types and incomes, well-connected to transport and other essential facilities and services.**

In Auckland, there are very few examples of quality, medium density housing of the type envisioned in the Auckland Plan and achieved in other fast-growing cities. Aucklanders tend to associate “density” with poor quality, high rise apartments, low cost/low income homes or “leaky” homes. Council can play a leading role in changing that perception by facilitating partnerships to show case “live” examples of

medium density developments that deliver quality housing that is suitable and affordable for a range of households and are achievable in the market

The Christchurch rebuild has provided the catalyst for two projects with similar aims--the *HIVE* (Home Innovation Village) and the *Breathe* housing showcase project. (refer BOX 6)

Council is exploring different models of partnerships nationally and internationally. that will deliver exemplar developments One potential partnership is with the Prince's Foundation<sup>2</sup> for Building Communities, which could bring together local creativity and knowledge with international experience, to create something unique of international repute. There is also the potential to use the project to achieve other outcomes such as training and employment and local economic development.

## BOX 6

### The “vision” of the Breathe project is:

*To create an exemplar central city neighbourhood displaying mixed use, medium density homes, based on sustainable design principles, to inspire and shape modern urban living in Christchurch.* Partners include: Christchurch City Council, MBIE, EECA, Beacon Pathways, BRANZ, Ngai Tahu, NZ Steel, NZ Institute of Architects. This will be a profit-share initiative.

An international development competition is being held and the winning design will be built on an 8,000 m<sup>2</sup> site on the corner of Madras and Gloucester streets. Building will commence in late 2013.

### The Home Innovation Village (HIVE) is:

A two year project facilitated by PrefabNZ<sup>3</sup> to showcase permanent materials, quality architectural design, environmentally sustainable buildings that are produced using prefab/offsite construction technologies. Christchurch City Council has provided the site at the Canterbury Agricultural Grounds and there are a range of other partners, including housing construction companies.<sup>4</sup>

<sup>2</sup> The Prince's Foundation for the Built Environment is an educational charity established in 1986 by HRH Prince of Wales, to teach and demonstrate in practice those principles of sustainable urban design and architecture which put people, and the communities of which they are part at the centre of the design process. The Foundation has consultancy projects in several parts of the world as well as UK.

<sup>3</sup> PrefabNZ is a non-profit incorporated society established to inform and educate New Zealanders about prefabrication.

<sup>4</sup> Meridian Energy, Resene, Winstone Wallboards (GIB), Homestar, Lifemark, Octa, Go2 Events, Anthony Harper, Signtech, Gardenmakers, Marlborough Snug and Boffa Miskell. Canterbury construction companies also involved with Hive are Laing Homes, Wilson & Hill Architects, Keith Hay Homes, Lockwood, Allied Concrete, and Falcon Construction.

## **ACTION 9.**

### **Use existing Council-owned housing stock to help grow the Community Housing Sector by investigating the management options of Council-owned housing stock including transfer of assets to existing community housing providers or forming a specialist housing provider for older people.**

As described earlier in Action 5 Council owns approximately 1,500 units that are available for low income older people, subject to asset and means testing. Although demand is forecast to grow amongst all age groups, a recent housing market assessment<sup>5</sup> has confirmed that Auckland housing demand will be increasingly shaped by the requirements of older households and Action 5 commits Council to redevelop HFOP sites to at least maintain and possibly increase existing supply. There is also the potential to transfer some Council owned stock to an appropriate housing provider or establish a new Housing Trust in order to leverage more funding for additional affordable housing. There are also approximately 150 own your units in council's property portfolio that could be considered as part of this action.

The current direction of Central Government's social housing reform programme is to build the capacity of the community housing sector; to have a limited number of social housing providers of scale, who (with other smaller, specialist organisations) can provide "wrap around" social services to tenants, not just asset management. Asset transfer, and/or a contract for "place-based" management would contribute to building the capacity of the community housing sector, and potentially leverage more funding and increase overall supply of affordable housing.

If Council decides to transfer stock a number of safeguards would be required, such as ensuring that in the event a provider fails, the assets would be returned to Council, regular reporting was required and Council was appropriately represented in the governance of the provider. Any potential partner would need to be assessed ahead of any potential asset transfer against a number of criteria to demonstrate:

- good governance and management controls and processes
- asset and tenancy management capability

- good financial controls including an adequate balance sheet
- development knowledge and delivery capability
- ability to secure debt funding at an appropriate level

Another option would be to establish a new Housing Trust to manage some of the Council owned stock, in addition to potentially managing new stock created as a result of any inclusionary zoning approach. In this case, Council would be involved in the governance of any Trust to ensure that the appropriate mechanisms are in place to protect current and future tenants. Any change of management would need to secure at least the same level of service for current and future tenants while leveraging additional affordable housing.

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## **Priority area 2:**

### **Encouraging take up of existing development capacity that is available to be used**

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Currently, it is suggested that land is being held for speculation or for long periods in Auckland. Council could consider different approaches to address land banking. The Resource Management Reform Bill introduced in early December 2012 includes provisions for development of the first Unitary Plan. Rezoning in the Unitary Plan could incentivise more land to come on stream. Similarly, the ratings policy could be amended to incentivise take up of development.

## **ACTION 10.**

### **Investigate ways rating policy could be changed or improved to incentivise development of undeveloped land in existing urban areas and greenfields.**

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<sup>5</sup> (Reference, Darroch p, 9)

- The Council sets its general rate on the basis on capital value (the value of land and improvements). Vacant land will pay less rates than a neighbouring property that is developed.
- The Council may set targeted rates to fund a specific council activity or programme, usually in a defined geographic area where the group of ratepayers can be identified as receiving a particular benefit from that council activity or are imposing a cost. Targeted rates may be set on land value or on the use to which the land is put, including vacant use. It may be difficult to structure a rate on vacant land without capturing some land which was not the intended target.
- Targeted rates are also one of the funding mechanisms being considered as a possible source of alternative funding options for future transport investments. Any consideration of a targeted rate to support affordable housing or encourage the development of land would need to consider its potential interaction with any transport funding proposals.

## **ACTION 11.**

**Investigate if unregulated investment is a driver of the Auckland Housing Market and assess whether this contributes to suggested property speculation or land banking and what useful and practicable regulatory options could be applied.**

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## **Priority area 3:**

### **New money, new thinking to secure investment and improve housing supply**

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This section identifies the ways Council could use financial levers to increase the supply of affordable housing. There is a lack of capital and local investment to support the growth of affordable housing providers and Maori housing providers. There is now, also a lack of long term

low interest fixed rate mortgage products for first home buyers. This exposes first home buyers in New Zealand to the risk of inevitable interest rate movements.

The Queenstown Lake Community Housing Trust has launched a \$ 6 million housing bond to lower the entry level cost for first home buyers. The 5 year bond will be used to provide a new “starter loan” – based on a 5 year fixed interest mortgage rate for eligible homebuyers in the district. At the end of the five years, the households will be able to re-finance into a regular market mortgage as they will have repaid enough of their principal and have a higher level of equity. An agreement is made with the trading bank to staircase the household into a normal mortgage at the end of the five-year period. The bond offers investors a guaranteed monthly return above the government bond yield. The community housing trust has organised the Housing bond capital for use by the lender during the first five years. This capital has a lower cost of funds than the bank’s normal capital. The advantage of the lower rate is passed on to the home buyer. The aim of this programme is ensure:

1. There is a certainty of payments for the first five years
2. A lower than market interest rate, which helps the household reduce their loan faster, achieving for example 80% equity in their share of the property on their own.

In order to reduce the cost of funds utilised for the Starter Loan mortgages, risk needs to be reduced below what a lender would usually have under a mortgage with a borrower. Council’s role is a catalyst and ultimate backstop. Without its involvement the programme could not have gone ahead.

For Starter Loans, the new bonds and the housing providers involved would seek a guarantee from Council, matched by an indemnity from the housing providers.

Queenstown has already demonstrated there is a low financial risk involved for Council. There is a structured application and approval process. The Shared Ownership share held by the Community Housing Trust in addition to the household deposit needs to meet or exceed a 20% deposit requirement. This product would not be used for high risk loans. The investors also set aside a 3 month cash reserve to cover payments in the event of a family having to exit and the time involved to place another eligible family.

There is opportunity to trial a bond for starter loans in Auckland if Council agrees to act as a guarantor, and a catalyst, to attract interested philanthropic and other institutional investors. This bond could support starter loans administered by vetted community housing providers. In turn a stock of retained affordable housing could grow and be recycled and supported by the CHPs.

As Auckland has a much larger population base than Queenstown (at least 30 times). A sum of \$15-25 million (potentially 150 units) could be considered in a pilot. There is scope to extend loans to 7 years or 10 year loans if the pilot was successful.

The other option is a bond to support housing providers that offer affordable rental or rent to buy schemes which could be a future action.

## **ACTION 12.**

**Investigate how Council could act as a guarantor for a pilot housing bond to facilitate start up loans for first home buyers or providers of secure affordable rental or leased accommodation administered by Community Housing Organisation schemes.**

This would need to be investigated subject to:

- Consideration of LTP position, future lending, credit rating ( unlikely to be a significant issue given the relative small amount for pilot )
- Criteria for providers involved in shared equity/ownership schemes that administer the start up loans.
- Recourse to housing providers – provide the indemnity
- Total amount of guarantee is set and reviewed on a periodic basis
- Council working closely in developing the eligibility criteria, approval process and reporting back to Council on the loans
- Council having first ranking security over the property as guarantor
- There is sufficient geographical diversification across the underlying properties to mitigate concentration risk.

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## **Priority area 4:**

### **Financing infrastructure, increasing housing supply and improving housing affordability**

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This section considers the financing of infrastructure alongside the delivery of more housing supply.

Development contributions is a policy tool which is frequently brought up as a significant issue for development creating upfront cost for new housing. The Department of Internal Affairs (DIA) is in the process of investigating development contributions as part of the Better Local Government Programme and Council officers are working closely with DIA.

At the same time, a new integrated development contributions policy has recently been adopted by Council for the Long Term Plan. This is based on a general principle of growth paying for the cost of growth but at as late a time as possible within the development process. Council will be working with stakeholders to look at ways the policy can be refined in the future. For example, Council could investigate calculating development contributions so that they encourage the building of smaller homes to serve a diverse market. For example smaller residential projects could be calculated on a per square metre basis and larger projects, particularly greenfields, could be calculated on a per hectare basis.

In addition, Water infrastructure growth charges are set by Watercare Services Ltd. It will also be important to understand the true cost of water infrastructure provision depending on location.

Council will actively participate in the Better Local Government reform to assess whether development contributions are the most appropriate way to fund growth related infrastructure and consider the impact on other funding sources if there were to be changes to the contributions legislation.

Council will liaise with the other councils facing comparable “new growth” to examine the different ways infrastructure could be funded to inform this work programme and make recommendations.

Council's financial levers will need to be assessed according to the AP and the LTP Funding principles and coordinated as not all of them can be implemented together.

#### **ACTION 13.**

**Investigate a pilot to consider the benefits and disadvantages of development contributions for smaller residential projects on a per square metre basis.**

#### **ACTION 14.**

**Expand the postponement of development contributions through a payment deferral facility.**

Payment timing has been pushed closer to development cash inflow within the new integrated development contributions policy with section 118 of the policy stating "postponements may be allowed for substantial developments at the discretion of Council". Postponements are generally for a 12 month period after which they are reviewed and if there is clear progress and continued benefit to both parties, the deferral may be extended. If not, a payment request will be made. The deferral facility is supported by a first ranking statutory land charge which may be invoked in the event of non payment.

Council is evaluating the benefit to the sector and gauging the extent of use to inform its modelling which currently only considers a percentage take-up. There is likely to be a review in January 2013 and July 2013 to inform any proposed policy variation to the Strategy & Finance Committee as part of the Annual Plan process for 2014-2015. More explicit criteria are likely to be required and included in any proposal to the Committee. Currently this pilot is benefitting medium size residential developments. The deferral facility could be extended to include community housing providers. This could possibly lead to a protocol with banks in the future.

There is also a need to understand the real cost and impact of servicing different types of development in different locations in order to enhance our asset management planning and therefore our development contribution policy, including water infrastructure charges. Council can use similar methodologies as those already used in Australia.

#### **ACTION 15.**

**Undertake more thorough empirical research showing the true cost of servicing different types of development and assessing the impacts of location and typology.**

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### **Priority area 5:**

## **Value capture through a betterment levy to enable infrastructure or affordable housing**

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#### **ACTION 16.**

**Investigate the opportunity to capture part of the windfall gain made by landowners resulting from the public decision to re-zone land to urban or to substantially up-zone land in order to fund infrastructure or affordable housing.**

A betterment levy could be used to capture some of the landowner's windfall resulting from a land use change to fund affordable housing or forward fund infrastructure. It may also result in a change of behaviour and mitigate land banking.

Challenges:

- A betterment levy is not possible under current legislation.
- Overseas experience suggests that it is difficult to administer
- Complexity of calculating the increase in value.

Any revenue raised through a betterment levy should be ring fenced for infrastructure or affordable housing in order to be transparent. The relationship between development contributions (priority area 4), a betterment levy and inclusionary zoning (Priority area 6) will need to be explored and any unintended consequences examined.

An alternative to a betterment levy could be a targeted rate. This would provide guaranteed revenue for the Council and does not require calculation of value increments. However, further

investigation is required to establish whether or not a rate could be set for this purpose.

It is unlikely that the complete analysis required to assess this option will be ready for inclusion in a consultation document on the Unitary Plan. The work should however be carried out as a potential future option.

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## Priority area 6:

### Inclusionary zoning options to be tested through the draft Unitary Plan informal consultation process

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This section describes one form of planning regulation that could be considered in the forthcoming Auckland Unitary Plan (AUP). Priority one of the Housing Chapter in the Auckland Plan is to increase the supply of housing. The draft Unitary Plan anticipates outward expansion of the urban area and greater flexibility for increased densities in existing residential zones; as well as more certainty of consent process and facilitative processes for well-designed residential developments. Increased supply will help to moderate house prices and address some affordability issues.

An additional tool is to require the provision of a portion of “retained” affordable housing as part of larger, new housing developments. This is termed inclusionary zoning, as it is aimed at making sure new developments include a range of houses affordable to a range of households. Retained affordable housing means that the sections and houses are affordable into the long term, not just for the first owner or occupier. Inclusionary zoning is usually associated with establishing a minimum requirement of retained, affordable dwellings in new developments when rural land is subdivided for housing or when existing urban areas are rezoned for greater densities (for example through greater height). This is a one way of sharing some of the increased land value resulting from planning decisions to rezone areas. It would not apply to land already zoned for housing and where the

AUP does not significantly alter development potential of that land. The objective of the retained affordable housing requirement is to:

- Build up a stock of housing that will be available for low to medium income households in perpetuity. This stock will never be large enough to meet all housing needs, but it will improve the current situation; and
- Ensure new communities (greenfields or upon redevelopment) have a mix of household types;
- Increase opportunities for low to medium 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;
- Assist long term with employment growth and economic development if some moderate income households can be retained in the city (and not forced to shift to other locations because of high house prices).

The Auckland Plan 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 retained, affordable housing be provided in new development areas.

The Unitary Plan proposes that the Rural Urban Boundary (RUB) will be expanded after council-initiated investigations into the general growth areas identified in the Development Strategy of the Auckland Plan. The RUB will be expanded through a formal change to the AUP. Rural land that is brought within the RUB will be progressively released for new houses and businesses via structure plan processes. A number of greenfield areas in different geographic locations should be identified so as to limit the potential for land banking and to help support a range of house prices that will be offered by the development process. However, if there is no retained affordable housing requirement before the RUB is shifted, then the ability to see an affordable housing requirement priced into the land will be lost and it will be difficult to retrofit the requirement via a structure plan and or subdivision consent processes.

The Draft Unitary Plan will be made available for informal public submissions in March 2013:

there is the option to include inclusionary zoning in an Addendum to the Draft for informal feedback to further 'test' the application of such zoning. As has been stated previously, the way the development contributions policy, a betterment levy and an inclusionary zoning scheme interact will need to be assessed.

## **ACTION 17.**

### **Test an inclusionary zoning regulation, for informal feedback as an addendum to the draft Unitary Plan in March 2013.**

The options to be tested in the addendum to the draft Unitary Plan will include:

- A policy that helps to make decisions about what land is brought within the RUB and how it might be developed, such as 20 to 30% of future houses to be delivered through the development should be at or below regional median house targets. This is likely to be achieved through diversity of typology, and not be a set rule.
- A percentage of these houses, (such as 5, 10 or 15% of lots/units) will have to be sold at a price that is affordable at a defined level of household income. The price point will likely be set by reference to median income levels, and can be adjusted yearly. Price points are provided in terms of lots, or house and lots. A 5 % requirement for retained affordable housing would see up to 250 units per year, if Auckland was building 3,000-5,000 dwellings a year in greenfields areas.
- An affordable housing requirement threshold would apply, for example developments of 10 or more dwellings units. Consideration may be given to requiring a contribution to an affordable housing fund for developments under the threshold.
- The lots and/or units could be sold to a recognised Community Housing provider or Maori housing provider for assisted home ownership or affordable rental schemes. Overseas experience suggests that a Community Housing Provider is best placed to ensure that allocation is done correctly and that it is retained for the public benefit. Central Government has stated that growing this housing provider sector is a priority. The Social Housing Reform programme is looking at enhanced regulation for the

sector. A first step in this process has been the pre-qualification status for the SHU funding. In the meantime Council could base its criteria on Community Housing Aotearoa best practice guide. CHPs and Maori housing providers will need to demonstrate good governance and management controls and processes, good tenancy management and asset management capability and ability to secure debt funding in order to take on the dwellings. Households can staircase into home ownership and buy out the units and housing providers can acquire new stock to house new families.

- As an alternative, the lots and/or units could be sold subject to some form of covenant or condition that controls future ownership based on target group and eligibility criteria.
- Eligibility criteria will be targeted to low to moderate income households within the 80% -120% of median household income. There are other considerations such as assets.
- The retained affordable housing would have to be the same quality as the surrounding housing and be spread through a development.

Affordable housing requirements can apply to both residential and business developments, but in the case of business development any contribution is likely to be cash rather than actual units, and would need to be related to the amount and type of employment generated by the development.

There are three broad ways retained affordable housing could be achieved:

1. A mandatory scheme in both greenfield and brownfield/infill developments
2. A mandatory scheme in greenfield and voluntary, incentives-based in brownfield/infill areas
3. A voluntary, incentives-based scheme in both greenfield and brownfield areas

These schemes could include a mix of either planning and financial incentives depending on the location. Unintended consequences of any of these schemes will also need to be considered.

Retained, affordable housing requirements do involve additional costs (in return for long term benefits to the region).

In greenfield areas there is the ability to include the retained affordable housing requirement into structure plans that precede the rezoning of land from rural to urban. In this way the retained affordable housing requirement can be taken into account early in the development process and most costs are absorbed in the lift of land values that arise when land shifts from a rural to an urban use. Additional development potential to off-set other costs could be built into the structure plan for particular areas.

For the brownfields areas, the Unitary Plan will seek to facilitate redevelopment in selected areas and promote best practice urban design outcomes. However, rezoning of areas for greater density does not always mean a substantial lift in land values. An option in these areas is for a planning incentive based on additional building height or building coverage. For example, in town centres and areas identified for low to mid rise apartments, for every 50m<sup>2</sup> of retained affordable housing floor space provided, up to 150m<sup>2</sup> to 200m<sup>2</sup> of additional market rate floor space could be built, up to two additional storeys. Additional storeys are likely to have to set back, or otherwise designed to reduce their visual impact and the floor area bonus would need to be subject to a resource consent application. In other residential zones, additional building coverage may be a more appropriate incentive. Such developments would be considered as non-notified applications, otherwise the risks to the developer are likely to exceed the benefits.

It should be noted that this will be a long term measure to build up some retained affordable housing stock.

## **ACTION 18.**

### **Prepare an updated Auckland housing market needs assessment taking into consideration the diverse submarkets.**

Due to the delay of the 2011 census to 2013, and in order to maintain the evidence base required to support the implementation of the HSAP (including proposed provisions within the Unitary Plan), it will be necessary to carry out an update of the 2010 housing market needs assessment. The updated assessment will improve understanding of affordable housing needs in the Auckland region, including the need for retained, affordable housing. This assessment will build on existing studies which have analysed Auckland's diverse sub housing markets, and will take into account Unitary Plan proposals to increase

housing opportunities, as well as other actions the council and central government will take to address housing affordability issues.

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## **Priority area 7:**

### **Regulatory Processes**

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Auckland Council is committed to improving the RMA consenting timeframes and enhancing customer engagement. The Resource Consents team have initiated pre-application meetings, key account management, a fast track process, improved communication standards, integrated (regional and territorial) consenting and consistent delivery of major infrastructure projects.

Similarly, building consents over the last six months have regularly averaged over 95% turnaround within the statutory timeframe and similarly, over 95% of code of compliance certificates have been completed within 20 statutory days over the same time.

These initiatives are further outlined below:

Pre-application meetings are now offered to all Council customers often at a subsidised rate so that they are utilized. Pre-application meetings are an excellent opportunity to make sure that all the right people including planners, urban designers, specialists, building inspectors and engineers are involved from the start and can in fact lead to a lessening for specialists reports or at the very least can make sure that the brief for consultants that the applicant may need to engage is targeted rather than open ended. The service has proven to reduce the likelihood of additional information being requested by the Council and the application will flow through quicker and more efficient as the path has been clearly outlined prior to the application being lodged. The increased take-up of the pre application process has resulted in a noticeable reduction of Section 88 and Section 92 requests. From July 2012 to end of September 2012, 44% of non-notified resource consent applications were processed within 15 statutory days.

The department has a dedicated team of key account and project managers who work across the consenting teams and deal with our large/key stakeholders and customers with large significant projects to ensure that they have one point of contact and a seamless consent process as

possible. Major infrastructure projects that go across the region are also dealt with by a specialised team and include projects like the AMETI highway and the broadband rollout by Chorus. Facilitating the development of infrastructure is an important building block for housing development.

The Fast track process is a process that is used by officers to ensure that relatively simple consents are dealt with as quickly and as simply as possible. Council consenting teams have KPIs in terms of time frames and each consent processing unit has developed their own triggers as to what will be dealt with as a fast track consent. The fast-track process, has resulted in simple consents being dealt with within a timeframe of 10 – 15 working days, well inside the statutory timeframe of 20 days.

Prompt information and communication is overarching all Council dealings with customers. This includes keeping customers informed and up to date e.g. proposed conditions are shared as soon as possible, particularly those which have potential cost and time implications for applicants, further information requests must be first notified with a phone call amongst other actions.

As a unitary authority Council is now processing all consents required for a proposal – district and regional- at the same time e.g. a quarry may require a land use consent under the district plan and an earthworks and air discharge consent under the regional plans. There is a new integrated consent process that ensures all the right people are on the team.

#### **ACTION 19.**

**Key Account Managers/Senior Leads appointed and available to meet in pre-application meetings for significant housing developments and ensure continuity from beginning to end of the consent and issuing process.**

#### **ACTION 20.**

**Develop pilot for “one deposit” consents for multiple housing typologies and small houses on small lots at Hobsonville and explore whether this has more universal application.**

#### **ACTION 21.**

**Expand the pilot for building consent pre-approval of generic housing types.**

#### **ACTION 22.**

**Maintain a minimum of 95% building consents issued within a statutory timeframe and 95% of code of compliance within the statutory time frames when residential building activity increases.**

Council is currently running a pilot program with a small number of group housing companies to enable a shorter time frame to process and issue their building consents. This is based on a comprehensive training of their designers to ensure that the plans submitted are suitable for processing and granting with a minimum of checking. They are really pre-processed with any alterations noted on the front page for ease of recognition and processing approval. Council will run the pilot for three months to confirm if the industry is ready to support this initiative but the intent is to role the process out to all group home builders.

A risk profile is agreed at the pre-application meeting with the council for each commercial project, and a comprehensive quality assurance (QA) program is submitted as part of the building consent application. The council will then audit the site work during construction to ensure that the QA program is being followed. On the completion of the project a Completion Certificate is issued rather than a Code Compliance Certificate.

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## **Priority area 8: Improving the quality of existing and new housing stock**

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The two most serious housing quality issues in Auckland are:

- the large quantity of poor quality, damp and cold housing,
- overcrowding which particularly affects Maori and Pacific children and young people particularly in parts of South and West Auckland including The Southern Initiative area.

There is overwhelming evidence that links quality of life and life opportunities and outcomes with healthy housing. The impact of cold, damp housing is greatest on children and the elderly, with respiratory infections being a leading cause of hospital admissions for children under 2 years of age. Of particular current concern are New Zealand's third world rates of Acute Rheumatic Fever (ARF) which are linked to household crowding.<sup>6</sup>

The evidence also suggests New Zealand's housing stock is mostly a poor performer and is contributing to air pollution and other environmental degradation.

Approximately 30,000 homes in the region have been insulated in recent years through the various incentive programmes available (See box 7). While difficult to estimate there is likely to still be in excess of 300,000 inadequately insulated homes within the Auckland area.<sup>7</sup>

At this rate, existing insulation programmes will be unable to meet the required targets contained within the Auckland Plan or to lift the majority of Auckland's housing stock to a reasonable level of performance over the next few decades, indicating that further innovation and some form of market transformation is required. This is likely to include the introduction of a housing warrant of fitness scheme that will require homeowners and landlords to insulate their properties either at the point of sale or by a predetermined date.

The issue of overcrowding has deep rooted economic, social and cultural causes that cannot be easily resolved. However, overcrowding can be a form of "hidden homelessness" with households combining to share housing costs. More, but urgent work- is required to determine the best role that council can take in assisting to resolve overcrowding issues.

## BOX 7

A range of programmes aimed at assisting homeowners to retrofit their homes are currently running, or have recently finished running in the Auckland area. These include:

- Snug Homes/Warm'n'Well: Snug Homes in former Auckland City and Manukau City areas, Warm 'n' Well in former Waitakere City and North Shore City areas. Since May 2006 these programmes have insulated 8379 houses. The programmes were aimed at Community Service Card holders in either rental or owner/occupied dwellings pre 2000 and only include insulation. Both of these programmes are no longer in operation.
- Currently only two free retrofitting insulation programmes remain for low income, high health needs households with a Community Services Card; they are Warm Up-Counties Manukau and Warm Up-Waitemata. These are insulation only programmes. Since August 2010 the Warm Up-Counties Manukau project has insulated the homes of 1778 low income households in the district. The Warm Up-Waitemata Project has insulated the homes of 360 low income households in the North and West of Auckland since December 2011.
- Retrofit Your Home (RYH) is the Auckland Council's signature household sustainability programme and includes a broad eligibility criteria. Dovetailing with the Warm Up NZ programme, RYH utilises a targeted rate mechanism to allow households to pay for the balance of costs for insulation and heating over a period of up to 9 years. All ratepayers in Auckland with a home built before the year 2000 are currently able to gain assistance from RYH.
- Warm Up New Zealand Heat Smart is a New Zealand wide programme. The programme has broad eligibility criteria that includes all pre 2000 dwellings. Warm Up previously included funding for both insulation and clean heating however more recently the heating component was removed. In the Auckland Region 25,122 homes retrofitted with insulation and 3,208 with heating to date and a further 1,425 homes that have received both insulation and clean heating.

<sup>6</sup> Jaine R, baker M, Venugopal K (2011) Acute Rheumatic Fever Associated With Household Crowding in a Developed Country. *Pediatric Infectious Disease* 30(4): 315-19.

<sup>7</sup> This figure includes all known retrofits and assumes about 10% of homes have been insulated outside of Government schemes.

## **ACTION 23.**

### **Undertake retrofit assessment of Council owned stock.**

## **ACTION 24.**

### **Council facilitate a trial landlord WOF scheme through a combined Auckland Council, Beacon Pathway and CMDHB partnership.**

Currently, there is public and government interest in the viability of a Warrant of Fitness for housing, both in the Auckland region and nationally. The general thinking to date is that any WOF scheme would be a voluntary one at first, with a move to a mandatory scheme over time. It should also initially be targeted at private rental properties.

While a WOF could cover a wide variety of housing issues, government's interest at this stage appears to be mainly related to housing thermal performance (and possibly moisture control). The most compelling reason for a pilot in TSI is to improve health, particularly for children, which would also contribute to Government's key target to reduce rheumatic fever<sup>8</sup> and targets on educational achievement.

From a regulatory perspective, the AC Unitary Plan team advise that any attempt to require a WOF under the RMA would be difficult and less than ideal. Their conclusion is the use of a bylaw under the LGA may well be a better approach to introduce an Auckland-specific scheme.

More work would be required to establish what, if any, regulatory regime could be put in place under current or new legislation to launch a housing WOF nationally, and Council will work with central government on any proposals. More work is also required on ways that a WOF could be enforced, and the costs associated with administration and compliance activities.

Given the complexities of the issues involved, it is recommended that Council facilitate a trial WOF scheme. The potential to deliver a trial scheme in partnership with central Government, Beacon Pathway or the Counties Manukau District Health Board (CMDHB) is high though any such partnership or initiative will need to be thoroughly scoped first.

Any further development of a WOF would need to consider the unintended consequences that such

a scheme may produce such as landlords raising rents to cover the cost of retrofitting. Therefore, the financial incentives will need to be looked at carefully within the context of a review of funding such as the accommodation supplement.

## **ACTION 25.**

### **Undertake a Social Return on Investment evaluation of council's current Retrofit Your Home Programme (RYH) to analyse how well the programme is delivering to the Auckland Plan targets for improving housing quality and environmental performance particularly in order to achieve increased take up in rental accommodation.**

The Retrofit Your Home (RYH) programme aims to enable the retrofitting of a minimum of 2,000 homes per year. At present only insulation and heating are items available for retrofitting. However there remains ongoing potential for a whole-of-house approach and for the programme to broaden its scope of offerings where there are demonstrable environmental and social outcomes for households.

The benefit of a holistic and robust evaluation of RYH will be to ensure that the programme is delivering value for money for Council and all participants in the programme; is achieving robust social and environmental outcomes and to informing any future iterations of the programme.

## **ACTION 26.**

### **Continue to investigate the use of a minimum Homestar rating for all new housing at an affordable cost and include a whole of life cost benefit analysis.**

It is important to consider the quality of new housing stock to avoid the same problems in the future associated with whole of life running costs including health, energy, water and waste. Improved efficiency of new housing in terms of energy and water will impact on Auckland's ability to limit environmental affects such climate change by reducing greenhouse gas emissions. Council is currently investigating ways to increase quality of housing stock to a Homestar 6<sup>9</sup> standard without significantly increasing the upfront build cost of the home. A thorough cost benefit analysis will be undertaken. Consideration of ways to finance these changes will also need to take place.

<sup>8</sup> The target is Reduce the incidence of rheumatic fever by two thirds to 1.4 cases per 100,000 people by June 2017.

<sup>9</sup> Homestar is a residential rating tool that is administered by the NZ Green Building Council, a not for profit industry owned association, that provides a holistic method of assessing a home's performance.

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## Priority area 9:

### Papakainga and housing for Maori

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A Maori Land Programme is being developed by Council and this identifies Papakainga as a priority. Initiatives are likely to include rating issues; pilots to improve the quality of housing and development contributions.

All the actions being considered to support community housing providers would also benefit Maori housing providers. It is important that Maori housing providers have equal access to a range of funding and development partnership opportunities and are not restricted to sources of funding specifically for Maori or partnerships for developments only on Maori-owned land. This includes the potential for Maori housing providers administering start up loans (Action 13) or other schemes to assist home ownership.

Work is required in HSAP-Stage 2 to identify specific, feasible opportunities for Papakainga and other types of housing and social infrastructure for Maori; along with measures to build the capacity of Maori housing providers to access central government and other sources of funding and partnerships.

#### **ACTION 27.**

**Continue to support the development of the Maori Land Programme which identifies Papakainga as a priority.**

#### **ACTION 28.**

**Support enhancing the capacity of Maori housing providers through opportunities for development partnerships on Maori-owned and other land.**

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## Priority area 10:

### Housing for Pacific Peoples

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Currently, there is very little housing designed and delivered specifically for Pacific people. However, there is growing interest from Pacific churches and other Pacific organisations in providing affordable housing for their communities.

Actions on the Plan to address poor quality rental housing, especially in The Southern Initiative area, will particularly benefit Pacific people.

There are a number of other roles Council can play including:

- Exploring partnerships with Pacific churches, Pacific-focused housing trusts, developers, churches, Central Government and banks to provide culturally appropriate, quality, affordable and secure housing
- Continuing to work with COMET and community-based education providers to deliver programmes to prepare Pacific people for homeownership
- Advocating to Central Government and banks to develop innovative and culturally appropriate schemes to assist Pacific people into homeownership

#### **ACTION 29.**

**Pursue partnerships to deliver provide culturally appropriate, quality, affordable and secure housing for Pacific peoples**

#### **ACTION 30.**

**Continue to work with COMET and community-based education providers to deliver programmes to prepare Pacific peoples for homeownership and affordable housing provision generally.**

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## Priority area 11:

### More secure rental tenure

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The number of renters is growing in Auckland. Although Council is committed to improving home ownership rates, it needs to ensure that renters have access to secure tenure in quality affordable homes and long term relationships with the community including education and health services.

It has been identified that Auckland needs either large institutional investors in the private rental market or a new framework needs to be in place to for small private landlords to develop a long term rental sector or a combination.

#### **ACTION 31.**

**Explore the necessary changes required to current legislation and policy structure that balances tenants' and landlords' rights and obligations that will enable a long term secure rental sector to develop.**

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## **Priority area 12:**

### **Removing Legislative Barriers**

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Current legislation can act as barriers to the development of more mixed density housing. Although the Unit Titles Act 2010 brought in improvements to the 1972 legislation, there is room for improvement with the treatment of common property. Council needs to review how different legislation interacts with each other such as the Securities Act. There are examples of legislation, such as the Community Titles legislation in Australia which could inform this review and add to the range of tenure options available to enable more innovative developments to be more easily undertaken.

#### **ACTION 32.**

**Explore improvements to legislation that covers common property.**

# 3. Decision-making framework – testing the options

As the Council investigates a number of tools and levers (ACTIONS 1- 32 ) it may wish to use to improve housing supply, affordability, quality and choice, it will be guided by the decision making principles contained in the Auckland Plan and the Long Term Plan. These are listed below. It will also give consideration to prioritising the ACTIONS 1- 32) so that it implements tools and levers over an appropriate time horizon to have the greatest positive impact for Auckland's housing.

## Auckland Plan Principles

### Work together

Work collaboratively on the priorities identified in the Auckland Plan. Recognise the interdependence of projects, programmes and initiatives.

### Value te Ao Māori

Acknowledge the special place of mana whenua and enable their participation in decision-making.

Build lasting, reciprocal relationships with Auckland's Māori.

### Be sustainable

Ensure that our short-term decisions enhance our long term prospects, and build our resilience to changing local and global conditions that may impact on the economic, environmental, social and cultural well-being of Auckland.

### Act fairly

Consider the needs of all groups in the community, to ensure that all Aucklanders can participate equally.

### Make the best use of every dollar spent

Act prudently and commit to projects and initiatives that achieve the best value result without compromising quality or affordability; or stifling creativity and innovation. Focus on achieving long-term benefits and intergenerational equity.

### Be affordable

Make Auckland both a quality and affordable place, including affordable housing, transport and other costs of living, and doing business, so that people have the choice to live, work and invest here.

**Long Term Plan- Chapter 5: Revenue and Financing Policy – principles** (see attached page from Vol.3 LTP)

## LTP – Chapter Five - Revenue and Financing Policy, volume 3, page 94

<b>Principle</b>	<b>Rationale for its application</b>
Paying for benefits received or costs imposed	The council will apply this principle to select appropriate funding methods when considering benefit distribution and cost causation. The allocation of costs to those who benefit from a council service or those who impose costs to the council is considered economically efficient and equitable
Transparency and accountability	This principle is applied when considering the costs and benefits of separate funding. Transparency of funding enables the users of services to assess whether they get value for money. Accountability makes the council more efficient in providing these services. From the perspective of the service users, transparency and accountability also enables them to make more informed decisions in using council services
Market neutrality	This principle is relevant when the council is competing with the private sector in producing or delivering services. The council can be placed in an advantageous position vis-a-vis the private sector because of its ability to fund such services from rates, either fully or partially. This can lead to market distortions and economic inefficiencies. It can also discourage private enterprise. To avoid this, in tandem with other principles such as affordability, the council will apply commercial best practice when providing such services.
Financial prudence and sustainability	This principle is relevant in determining appropriate funding mixes. The council's financing methods must be able to raise funds sufficient to meet its costs and ensure that these are sustainable over time
Optimal capital usage	This principle relates to the effectiveness of funding tools in achieving efficiencies. The council's limited financial resources should be used in such a way to maximise the benefits provided to the community, while minimising the burden on ratepayers. Among other things, this principle influences the council's decisions on the best mix of funding (between rates income, other revenue sources, borrowings and asset sales) to pay for its assets and activities
Strategic alignment	The Auckland Plan sets out a vision for the city over the next 30 years. The revenue and financing policy should have regard to its impact on the broader strategies and priorities as set out in the council's vision and the Auckland Plan
Overall social, economic, environmental and cultural impacts	Decisions on how the council's revenue requirements will be met (by ratepayer and other groups) should take into account the impact of such decisions on the current and future social, economic, environmental and cultural well-being of the community
Affordability	The council needs to consider the impact of funding methods on people's ability to pay as this can have implications for community well-being
Minimise the effects of change	The integration and harmonisation of the policies of the former councils may lead to major changes in the incidence or rates and user charges for services. Funding and financial policies should seek to minimise or manage the impact of these changes
Efficiency and effectiveness	The council's financial policies should have regard to the costs of carrying them out, and how effective they will be in achieving their objectives
Practicality of policy	The council's funding policies must be achievable and unconstrained by practical issues that will prevent compliance
Legal Compliance	The LGA 2002 and related legislation include a number of legal requirements for the development of the revenue and financing policy. All aspects of the policy will comply with legislation

There are some inherent conflicts between these guiding principles. In practice, establishing the council's specific revenue and financing policies involves balancing competing guiding principles. For example, the principle of paying for benefits received may call for a high degree of user pays for an activity, but this must be balanced against the principle of affordability.

## 4. Next steps

From the adoption of this Housing Action Plan (17 December 2012), Council will start to implement these actions and report on progress in 2013. Work has already started on a financial evaluation of the non-regulatory actions in the Housing Action Plan. It is anticipated that this evaluation will be reported by May 2013 to the Auckland Plan Committee.

In the development of this Action Plan, Council has explored its own tools and levers and compiled a suite of actions to increase housing supply and affordable housing supply. Stage two of the Housing Action Plan will also commence in 2013 and its focus will be on collaboration with other sectors to look at their contribution to improving housing supply, affordability, quality and choice. One example is working with Central government on the response to the Productivity Commission's Report on Housing Affordability.