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# Policy, Regulatory and Market Resources to Create Affordable Housing

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Background Report

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**planalytics**



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# 1 Purpose

This report provides further information in relation to a list of policy, regulatory and market tools developed to assist territorial authorities who may wish to stimulate the supply of affordable housing within their jurisdictions. It has been developed by Planalytics for Local Government New Zealand (LGNZ) as part of LGNZ's [Housing 2030 work programme](#).

The list of affordable housing tools is provided in Appendix 1. These tools were collated from a desktop review of the Treasury and Auckland Council websites. The purpose of the tools is to generate discussion and help territorial authorities within New Zealand (including council members and staff) to consider their role in the facilitation or provision of affordable housing, as required.

For ease of navigation, this report is structured as follows:

- Purpose of the report (this section);
- Key findings and observations from the collation of the affordable housing tools (Section 2);
- Summary and next steps (Section 3);
- The list of affordable housing tools (Appendix 1); and
- References for all information contained in this report.

It is intended that the affordable housing tools, and this report, provide a quick reference to any territorial authorities who may be grappling with how best to increase affordable housing supply. The tools collated from the two websites reviewed are not exhaustive but provide a starting point from which territorial authorities can develop affordable housing solutions that meet the specific needs of their communities.

## 1.1 Project approach

The affordable housing tools included in Appendix 1 were identified primarily by a desktop review of the Treasury and Auckland Council websites, as per the project scope. Where these websites referred site users to other websites for more information, these websites were also reviewed. A full list of references is available at the conclusion of this report.



## 1.2 Disclaimer

The information contained in Appendix 1 was obtained online, as outlined in Section 1.1. All attempts were made to verify this information; however, it is possible that it may not be the most up to date or accurate. In addition, it is acknowledged that a wealth of information regarding affordable housing tools for local government is available online and with council staff. However, review of this wider information was not included in the scope of work for the current project and therefore did not inform the affordable housing tools included in Appendix 1. It is possible that LGNZ may consider widening the scope of this research, if this initial stage proves useful to local government members and staff.

## 2 Key Findings

### 2.1 The tools identified work together, not in isolation

The affordable housing tools identified through the desktop review completed for this project are rarely developed or implemented in isolation. In some of the examples explored in Appendix 1, policy, regulatory and market tools are deployed together or in succession to create comprehensive and effective frameworks to support the stimulation and realisation of affordable housing supply.

An example of this would be the approach taken in Jopp Street, Arrowtown. In this case, re-zoning of land in the district plan, a resource consent for development, the use of s141 of the Local Government Act, and development of a local first-time buyer subsidy enabled a partnership between Queenstown Lakes District Council (QLDC) and a local housing trust to realise a shared aim to meet affordable housing need.

### 2.2 In-house capacity can help influence positive outcomes

The desktop review identified that developing and implementing affordable housing tools at local authority level is resource intensive in terms of time, money and staff. Developing relationships to realise sophisticated legislative tools such as bespoke development acts or joint council/Crown entities relies on councils being able to navigate and influence central government and corporate structures.



In order to be effective in these types of environments, councils need skilled staff with a clear and comprehensive understanding of their district's housing supply and demand, their community aspirations for housing and community building, as well as being able to offer attractive or compelling development opportunities to leverage at central government level.

More technical tools such as surveys of surplus public land can be extremely useful to local councils, but also require in-house capacity to identify the opportunities and constraints inherent in the exercise as well as technical capacity to undertake the review if the work is not outsourced.

Whilst beyond the scope of this current project, the affordable housing tools identified and the lessons learned from their implementation would suggest that councils with dedicated, specialised staff in the areas of housing and planning for housing and/or growth are able to identify the need for, and stimulate the supply of, affordable housing more effectively than those operating with a workforce comprising more generalised skills.

### **2.3 The Urban Growth Agenda is highly influential, but future direction is uncertain**

The desktop review revealed that the delivery of affordable housing, at scale and pace, is at the heart of the Government's Urban Growth Agenda (UGA) (Office of the Minister of Housing et. al., 2018). Government-supported affordable housing and the delivery of affordable housing by the private sector have been identified as necessary to achieving the Government's goal to meet the large and growing need for warm, healthy and affordable homes (van der Scheer and Guy, 2019).

Yet, while stakeholders in housing can agree they want affordable housing, a "*credible path to delivering it is yet to be established in the face of current constraints*" (van der Scheer and Guy, 2019). These constraints include the expectation that house and rent prices will continue to increase over time, exacerbating hardship, homelessness, public housing demand and fiscal costs; and an underperforming central Government building programme (KiwiBuild and Public Housing) (van der Scheer and Guy, 2019).



Advice and guidance related to affordable housing delivery on Te Tai Ōhanga The Treasury's website alludes to the development of policy and other delivery tools but provides little in-depth detail. In some instances, details of specific projects where new or innovative tools have been successfully applied to assist in the delivery of affordable housing have been redacted (van der Scheer and Guy, 2019).

Submissions on related UGA tools such as the proposed National Policy Statements on Urban Development and Highly Productive Land would indicate that outside of inner Treasury circles there is a high level of uncertainty as to the degree that new national policy will prescribe practice and outcomes at the local level, or how specific national policy directives will interact with each other (Steeman, 2019).

The Urban Development Bill has recently been published for its first reading and details some of Kainga Ora's operational powers including planning, land acquisition and funding mechanisms to expedite urban development (Iles, 2019). Understanding the implications of this Bill on housing supply at local government level is likely to involve input from a range of disciplines and council sources, including elected members, resource management planning, housing, community development and building control.

## **2.4 The message is 'up and out'**

A consistent theme in recent Te Tai Ōhanga The Treasury advice on the Urban Growth Agenda is the necessity for central government to provide directives and new tools to plan, fund and finance the infrastructure needed for housing to go 'up and out'. Treasury consider New Zealand's environment holds an 'abundance of opportunities' to go up and out and 'keep the cost of housing affordable for most people' (van der Scheer and Guy, 2019). Some of these tools can be seen in the Urban Development Bill which will be subject to Select Committee analysis in early 2020 (parliament.nz, 2019).

The efficacy of an urban growth agenda focused on an urban expansion approach is questioned in the literature by researchers such as Michelle Tustin (2017). 'Up and out' is likely to prove challenging to communities and local authorities wishing to pursue a less aggressive growth agenda and may not be an appropriately sized solution for all areas across the country.



The desktop review also revealed unresolved tension between the proposed National Policy Statement for Urban Development and National Policy Statement for Highly Productive Land, which is creating uncertainty for councils needing to address issues of housing supply. Nevertheless, the ‘up and out’ mantra is likely to persist as the Government pursues the UGA and will present both challenges and opportunities for local authorities.

## **2.5 Efficiencies exist where councils consider *a//*housing needs**

Several sources identified in the desktop review indicated that understanding the range of housing demand (public, private, social, emergency and affordable) is highly useful information for a local authority. It enables councils to leverage partnerships to realise mixed tenure developments and potentially results in more sustainable and successful communities in the long run. This accords with the academic research identified as part of the desktop review that new developments need to deliver variety and cater to a diverse range of households; from large and small families to students, single person households, retirees and first home buyers (Tustin, 2017).

## **3 Summary and next steps**

Overall, the desktop review indicated that local government in New Zealand is in a position to consider and deploy a range of tools to stimulate the supply of affordable housing within its jurisdictions. Such tools will need to be appropriately sized to match the needs of the communities within which local government operates, as affordable housing need is likely to differ across the country.

Local government will also need to work closely with central government to ensure that any affordable housing activity is constructive, integrated, and consistent with council and community aspirations. Opportunities also exist for councils to work together to lobby central government and work more closely with the range of stakeholders within the housing sector (for example, community housing providers). With this in mind, the next steps outlined in the following sub-sections are considered beneficial to progress the ability of local government in New Zealand to respond to affordable housing demand.



### 3.1 Identify and plug information gaps

The desktop review of the Treasury and Auckland Council websites identified a number of likely information gaps in relation to potential affordable housing tools of interest to councils across the country. These information gaps included:

- Tools to calculate the demand for affordable housing at a territorial authority level across New Zealand. Without relevant demand information, councils are unlikely to be able to size the supply of affordable housing appropriately and cost effectively.
- The central role of Kāinga Ora and the Ministry of Urban Development in the development of tools related to the implementation of the UGA and legislation such as the Urban Development Bill. More information is likely to be gleaned directly from websites associated with those agencies.
- Evaluation of the performance of agencies such as Kāinga Ora and the Ministry of Urban Development and partner agencies (including local authorities) in the development and delivery of affordable housing and key learnings from such projects.
- The key themes and outcomes being pursued in Kāinga Ora’s submissions on plan review processes, and an analysis of the agency’s preferred planning outcomes.
- A greater understanding of how some affordable housing tools fit together, particularly in large-scale, complex developments, for example, the relationship between bespoke development Acts and Crown entities.
- The challenges faced by smaller local authorities faced with increasing demand for affordable housing, and the opportunities they are pursuing to stimulate affordable housing supply in their districts.

As a readily achievable next step, we consider that these information gaps could be plugged through review of the following websites and web-based sources:

#### Potential sources for expanded desktop review

Source	Reason
Kāinga Ora website	As the key agency to deliver housing and urban development in New Zealand, a comprehensive review of the Kāinga Ora website and web-based resources could clarify how the





Source	Reason
	agency engages with local authorities and other partners to achieve affordable housing development.
<b>Submissions on District Plan reviews by Kāinga Ora</b>	Kāinga Ora has been very active in making submissions on District Plan reviews. Analysis of submissions could yield useful insights into Kāinga Ora's frustrations with current planning tools and methods for addressing urban growth and the agency's ideas for how these constraints may be overcome or addressed.
<b>The New Zealand Parliament website</b>	This website is a central source of information on the Urban Development Bill, including public submissions on the Bill, supporting reports and expert advice. Analysis of submissions on the Bill could provide useful insights into the implications of its implementation for a range of agencies, including social and affordable housing providers, local authorities and special interest groups.
<b>Queenstown Lakes District Council website</b>	QLDC emerged in several of the tools identified in the desktop review as capable of developing and implementing innovative tools and mechanisms to stimulate and support the delivery of affordable housing.

### 3.2 Confirm findings through case studies

The website review generated search paths to useful resources and case study examples outside of the Te Tai Ōhanga The Treasury and Auckland Council websites. These included innovative use of s140 and 141 of the Local Government Act 2002 in Arrowtown, and the development of a collaborative model between Hutt City Council and Kāinga Ora. We recommend that these case studies are examined in more detail, including interviews with key stakeholders, and may encompass international case studies of direct relevance to the New Zealand context.



### **3.3 Talk to local government**

Nobody is in a better position to understand the affordable housing tools and levers available to local government, than local government itself. And in particular, those councils that are currently very active in housing supply (including, for example, Wellington City Council and Christchurch City Council).

Opportunities exist for LGNZ to develop a fuller, affordable housing toolkit similar to the social housing toolkit compiled earlier in 2019. The same methodology could be considered; including interviews with councils active in affordable housing and housing stakeholders, a workshop, and toolkit deliverable.

### **3.4 Talk to Ministry of Housing and Urban Development (HUD)**

Kāinga Ora has an extensive and complex mandate to work in partnership to enable, facilitate, and deliver housing and urban development projects (Ministry of Housing and Urban Development, 2019). The second stage of the Kāinga Ora - Housing and Communities Bill, the Urban Development Bill, will be progressing to the Select Committee stage in early 2020. We recommend talking to HUD about the detail and expected delivery milestones of its work programme for Kāinga Ora and how it proposes to manage and oversee the implementation of the centralised development controls anticipated to be in the Housing and Communities Bill.

We believe that these next steps will provide local government in New Zealand with a fuller picture from which it can make informed decisions regarding affordable housing solutions.



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## Appendix 1: Affordable housing tools for local government