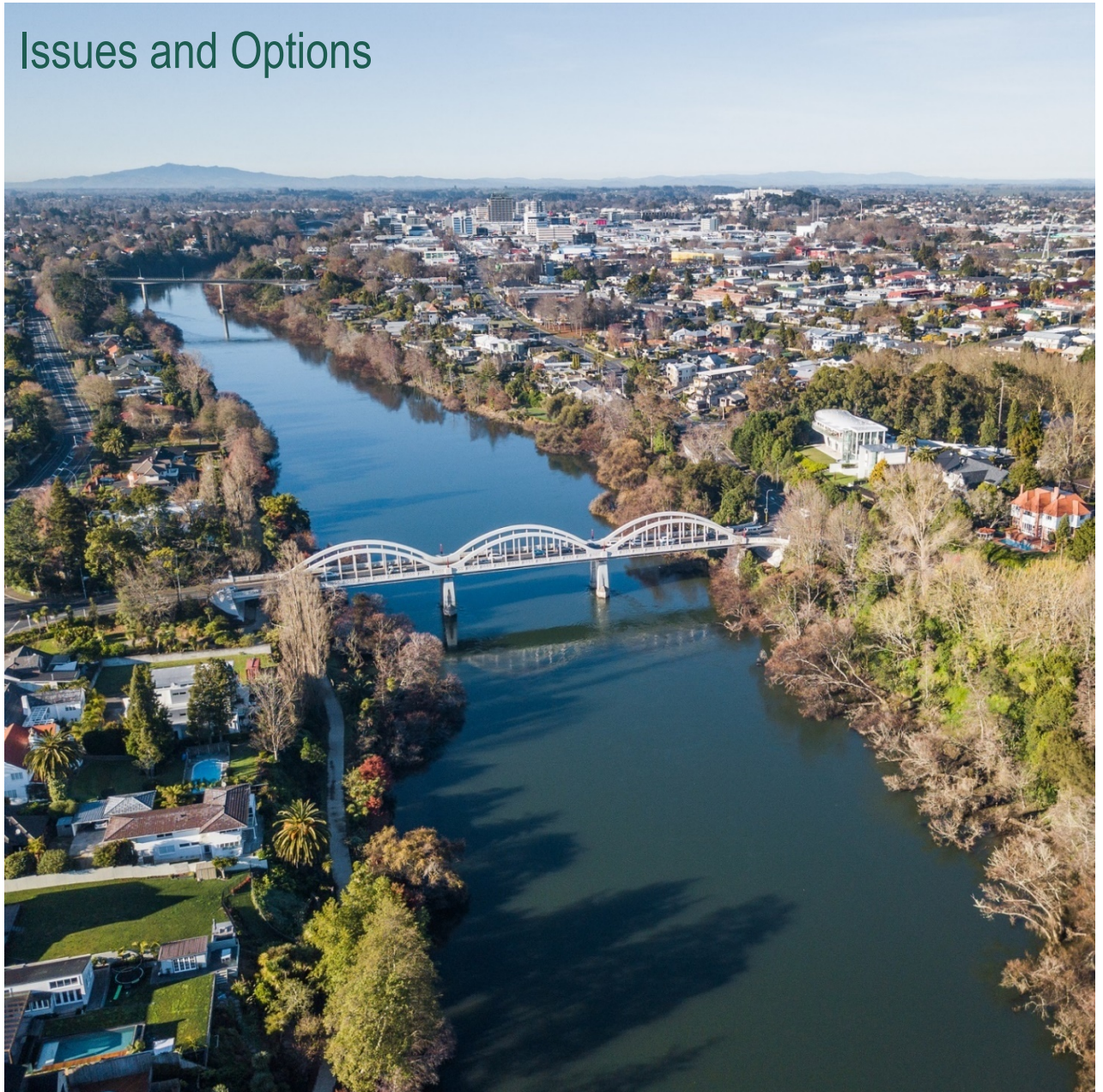


Waikato Affordable Housing

Issues and Options



Hill Young Cooper Ltd, September 2021

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1. Summary

Waipā District Council, Waikato District Council and Hamilton City Council are jointly investigating possible pathways to promote the provision of affordable housing in their districts.

Waipā, Waikato and Hamilton (hereafter the councils) have formed the Future Proof Partnership (FPP) with Waikato Regional Council. The FPP area is experiencing rapid population growth. It has also seen house prices rapidly increase, creating significant affordability issues.

Affordable housing is a term commonly used to describe housing where there is some form of assistance for renters or owners to meet housing costs. That is, affordable housing sits between market rate housing where owners and occupiers can cover housing costs without any assistance and social and emergency housing where occupiers are often completely dependent upon government subsidies and/or direct provision by social agencies.

Inclusionary zoning (IZ) is one pathway to increase the supply of affordable housing. Other pathways include ensuring adequate supply of land zoned for housing ('over zoning') and supporting the work of community housing providers.

IZ imposes district plan requirements on developers to make a proportion of their residential developments "affordable". Typically, a requirement may be that 10% of lots or units of larger developments are sold at a price affordable to households on median or below median incomes. They may be sold to individual buyers or community housing providers.

Queenstown Lakes District Council has utilised a form of inclusionary zoning since 2005, helping to capture some of the value created when rural land is up-zoned for residential development. The policies have provided \$24m in funding and land for the Queenstown Lakes Community Housing Trust.

Assessments of housing demand and development capacity (land zoned for housing) in the FPP area indicate that there is no significant zoning constraint on housing capacity, but there is a mismatch between supply and demand, with new housing supply focused on mid to upper priced housing, but demand spread across the income spectrum. The supply of new housing is not sufficient to see an increase in the stock of housing in mid to low price bands (most often, existing houses) as households move up the property ladder.

The lack of affordable housing is likely to create a number of issues for spatial planning, including displacement of demand to outlying settlements increasing pressures on transport networks; potential constraints on employment growth that could help diversify the economies of the area from limited ability to house workers, and likely demand for out of sequence urban growth which may create significant infrastructure commitments for the councils.

IZ raises a range of issues as to whether it is an appropriate tool under the Resource Management Act (RMA) and how any provisions may be implemented.

Typical challenges are that affordable housing is not a matter that is within the scope of the RMA (being a social rather than environmental management issue); any requirement does not arise from

the management of adverse effects of development; while excessive affordability requirements may slow housing supply and push up the price of market rate housing to compensate.

These criticisms can be addressed through careful design of an affordable housing requirement. Policy choices cover:

- Purpose – what is the objective of the requirement (e.g. help with growth management, create more stable neighbourhoods)?
- Definition of affordability – what households are targeted (e.g. those on 80 to 120% of area median incomes)?
- Mandatory versus voluntary – set requirement or a negotiated outcome (e.g. all residential development of more than 10 units)?
- Requirement or 'set aside' – percentage of development to be affordable (e.g. 10% of lots or houses)?
- Incentives – are there any bonuses, such as faster processing, extra height or density?
- Retention – what mechanisms are used to protect long term the benefit created (e.g. ownership of units by a Community Housing Provider, and/or some form of control on resale such as deed restrictions)?
- Monitoring – who will administer the scheme, particularly the retention requirements?

Options to progress affordable housing provisions include introducing supportive objectives and policies (but no methods); making the provision of affordable housing a requirement on new greenfields subdivisions; or applying an affordable housing requirement across greenfields and brownfields areas.

Taking into account the local growth management context, it is recommended that a 'greenfields first' option be developed that would apply across the three FPP councils. This option recognises that the FPP area is currently subject to significant urban expansion pressures, and that there is long term benefit from ensuring that part of the housing supply to be developed over the next 10 years should assist directly with affordability issues.

Based on the experience of the greenfields areas, any programme could then be rolled out to selected brownfields areas (i.e. areas likely to see significant redevelopment).

Building support for an affordable housing requirement is critical to success. Analysis is required of potential costs and benefits, as well as the impact of different rates of requirement on development feasibility. Consultation with developers and community housing groups should be undertaken to help shape a locally calibrated affordable housing programme.

Four elements seen to be critical to the success of any policy are: the policy is easy to understand; is mandatory; has broad coverage; and involves low transaction costs.

2. Introduction

2.1 Background

Waipā District Council, Waikato District Council and Hamilton City Council are jointly seeking an issues and options paper addressing possible pathways to promote the provision of affordable housing in their districts.

The Councils are looking to address the following four matters:

Summary of existing situation

- The need for affordable housing, examining housing need across the housing continuum (to be based on available data etc. This does not need to be an exhaustive analysis).
- Review of existing housing supply levers for each TA. What is each TA doing to increase overall market housing supply, for example through current zoning, density increases, changes in typology and more flexibility in greenfield sites?

Options to deliver more affordable housing

- Range of options to deliver more retained affordable housing in the Hamilton, Waikato and Waipā context, including:
 - What more could be done in addition to existing and proposed measures such as density increases.
 - What mechanisms, including Inclusionary Zoning, could the Councils implement to provide retained affordable housing.

Inclusionary zoning model

- What would an Inclusionary model look like, such as:
 - Triggers or thresholds for affordable housing – for example 20% of all developments 10 units or more.
 - Recommendations for the mechanisms for retaining the affordable housing with reference to how the Waikato Community Lands Trust should operate with Community Housing Providers.
 - How this translates into objectives, policies and methods and whether this should be consistent across the RPS and TA plans. Note, this would not need to be a finished product supported by full sec 32 analysis, rather it would be the framework of a possible provision.
 - Mechanisms for Councils to ensure affordable housing requirements are transparent for developers and how their site will contribute to meeting the housing need.

Issues and challenges with Inclusionary zoning and the RMA

- What are the common criticisms of Inclusionary zoning and how might they be addressed in an RMA context?

2.1.1 Report Structure

Preparation of this report has involved reviews of relevant plans and strategies, consideration of possible inclusionary zoning models and discussion with council planning staff from the three councils.

The report is structured as follows.

- Section 3 provides an introduction to affordable housing and inclusionary zoning
- Sections 4 and 5 discuss the housing market in the FPP area
- Sections 6 and 7 review current strategic plans and whether they are likely to significantly address affordability problems
- Section 8 outlines the various dimensions of Inclusionary Zoning policies
- Section 9 discusses issues with the RMA
- Sections 10 and 11 set out a possible pathway for an RMA-based affordable housing policy.

3. Inclusionary Zoning

3.1 What is it?

Inclusionary zoning (IZ) imposes district plan requirements on developers to make a proportion of their residential developments “affordable”. Typically, a requirement may be that 10% of lots or units of larger developments are sold at a price affordable to households on median or below median incomes. They may be sold to individual buyers or community housing providers.

Inclusionary zoning is common in the United States (where the term originated), England, Europe and parts of Australia. It has also been trialled in a small way in New Zealand / Aotearoa in Queenstown and by other councils under the Housing Accords and Special Housing Areas Act.

In a New Zealand context, the term inclusionary zoning could easily be replaced with “provision of affordable housing” or similar.

Affordable housing requirements may apply in greenfields and brownfield areas. The affordable dwellings provided usually have associated controls on eligibility for purchase to ensure targeted needs are met. It is also common to have retention controls over future on-sale to avoid wind fall gains to first purchasers and to protect the investment for the long term benefit of the community.

3.2 Local examples

Queenstown Lakes District Council has utilised a form of inclusionary zoning since 2005, helping to capture some of the value created when land is up-zoned. The policies have provided \$24m in funding and land for the District’s community housing trust. IZ type policies have been negotiated as part of a number of private plan change requests, as well as Special Housing Areas. Requirement rates are in the order of 5% to 10% of lots created, and often involve transfer of the lots to the Council at no cost.

A number of other Councils have used Special Housing Areas to implement affordable housing provisions. Special Housing Areas (SHA) were granted streamlined resource consenting processes via accords between Government and local authorities. The intention was that faster consenting processes would help to ease supply constraints, thereby reducing cost pressures on housing. To ensure some affordable housing was delivered through this process, some councils sought that a percentage of lots to be consented through the SHA process be below market rates. For example, Selwyn District’s housing affordability criteria for Special Housing Areas was that 10% of the total potential yield of the qualifying development was to be no more than 75% of the REINZ median value for house sales within Rolleston Township. Through this process, 154 affordable lots have been identified, although it is uncertain as to how many have been given titles and houses built.

The 2013 Proposed Auckland Unitary Plan contained affordable housing provisions. These provisions attracted a range of submissions and the Independent Hearings Panel that considered the proposed plan recommended that the affordable housing provisions not be advanced. The Panel were focused on increasing the supply of development opportunities and were concerned that the affordability requirement would be a tax on development. The Auckland Council accepted this recommendation.

In 2008, the Government enacted the Affordable Housing: Enabling Territorial Authorities Act. The purpose of this Act was to:

enable a territorial authority, in consultation with its community, to require persons doing developments to facilitate the provision of affordable housing—

(i) for the purpose of meeting a need for it that the authority has identified by doing a housing needs assessment:

(ii) in a manner that takes account of the desirability of the community having a variety of housing sizes, tenures, and costs.

Subject to various criteria and actions, district plans could be amended to include policies and methods covering:

- including a proportion of affordable housing in a development;
- including a proportion of affordable housing in another development;
- including in the proportion of affordable housing a particular kind of housing;
- giving the territorial authority some land in its district; and
- giving the territorial authority an amount of money.

This Act was repealed in 2010.

Queenstown Lakes District Council notified Plan Change 24 (PC24) in November 2007. This plan change sought to introduce a form of inclusionary zoning into the district plan (with a focus on the housing needs of workers). The plan change was subject to Environment Court and High Court hearings. The High Court was satisfied that PC24 came within the scope of the RMA¹. The Plan Change was subsequently made operative in 2013. The operative plan change introduced affordable housing into the policies of the District Plan so that it can become a relevant matter when plan changes/ variations are proposed, as well as when resource consent applications are considered. This is so the impacts of planning changes on affordability, both positive and negative, are addressed. No specific methods were incorporated.

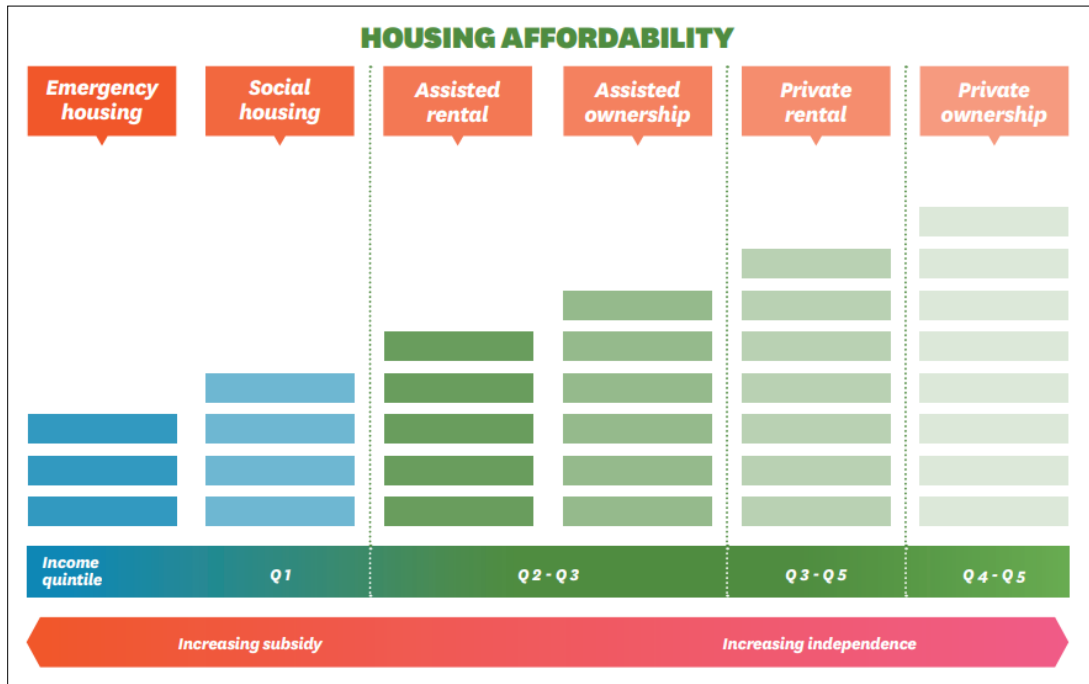
3.3 What is affordable?

Typically, affordable housing is a term used to describe housing where there is some form of assistance for renters or owners to meet housing costs. That is, affordable housing sits between market rate housing where owners and occupiers can cover housing costs without any assistance and social and emergency housing where occupiers are completely dependent upon government subsidies and/or direct provision by social agencies.

Figure 1 presents one common ‘model’ of the housing continuum. In the context of this report, “assisted housing” can be taken to mean affordable housing.

¹ INFINITY INVESTMENT GROUP HOLDINGS LIMITED And Ors V QUEENSTOWN LAKES DISTRICT COUNCIL HC INV CIV-2010-425-000365 [14 February 2011]

Figure 1: Housing continuum



For the purposes of inclusionary zoning, affordability is most often defined in relation to the maximum percentage of gross household income that is devoted to rent or mortgage interest and principal repayments. Benchmarks vary between no more than 30 and 35% of gross household income being spent on housing (shelter). Affordability is usually targeted to those households on low to moderate incomes. Households on high incomes can afford to spend more than 35% of income on housing, as their disposable income is higher than other households.

There is no official New Zealand definition of affordability.

The Ministry of Business, Innovation and Employment (MBIE) make the following points in terms of measuring affordability:

There are three main measures of affordability, each of which can be applied to renting and potential first home buying. One is the percentage of households spending more than 30 percent of their income on housing. The second is the percentage of households with below average incomes after housing costs. A third is an affordability index.

Of the three, the first measure is the easiest to compute and to translate into planning provisions. Usually, to work as a planning provision, affordability needs to be defined in relation to the percentage of income spent on housing fixed to a particular income level, such as the median household income in a sub area or district. MBIE do not explain why 30% of gross income was selected as the 'cut-off' for affordability, rather than 35%. The acceptable percentage of income spent on housing is a judgement call; the percentage can range from 25% to 40% of gross income. The main disadvantage of the measure is that it does not take into account whether the residual income after housing costs is sufficient to meet other needs (food, heating, transport, education etc). Median income levels need to be able to be regularly updated.

A residual income approach typically defines housing as affordable if a household is able to afford to meet their other basic or essential needs after paying for their housing. MBIE's second measure seeks to provide one simple means of determining a residual income approach, relating the after housing costs of households to average incomes, and whether after housing costs, residual income is below that of average income households. Residual income measures are harder to keep up to date due to limited data at a district level on household spending details.

Other measures of affordability can relate affordable housing to a 'discount' to market rate housing, for example affordable housing being 75% to 80% of median house prices. KiwiBuild caps are an example of a discounted product. To keep KiwiBuild homes in more affordable price ranges, price caps are used that set the maximum price all KiwiBuild homes can be sold for. Currently the price cap for the Waikato Region is \$500,000.

As has been experienced, discounts or caps can quickly become out of date when house prices rise rapidly. For example, Auckland Council imposed a 'discount' approach on some Special Housing Areas, with a percentage of houses to be sold at a set reduction on median prices. At the time of the consent for the development, a 75% discount to a then median priced house in the region was in the order of \$450,000, and therefore affordable to median income households. However, house prices rapidly escalated, meaning a 75% discount to a \$1,000,000 house was in the order of \$750,000 and beginning to get out of reach of median income households.

3.4 District Plan definitions

Any RMA-based requirement will require appropriate definitions. In particular is the distinction between relative affordability and income affordability:

- relative affordability is affordability measured relative to market medians for house prices (the discount approach)
- income affordability is affordability measured against moderate to low incomes (i.e. no more than 35% of household income).

The National Planning Standards do not define affordable housing, neither does the National Policy Statement on Urban Development (NPS-UD) that references 'affordability'.

Hamilton City's District Plan does contain a relative affordability criterion. This applies in the Te Awa Lakes Medium Density Residential Zone, as follows:

At least 10% of the residential units of the total Development Yield of 892 (+/- 10%) shall be sold on the open market at a price that is no more than 90% of the average Hamilton city residential house value, as shown in the most recent June figures published by Quotable Value (www.qv.co.nz) at the date of sale and purchase agreement (to transfer the property to the buyer).

As an example of a more complex income-related district plan definition, the notified version of the Auckland Unitary Plan contained the following:

Retained Affordable Housing

Housing that is:

- sold or rented at or below the price as defined below
- owned or rented by occupiers who meet the relevant development controls in perpetuity.

Price in the case of retained affordable housing means:

1.Dwellings must be sold or rented at a rate that means households on 80 to 120 per cent of the median household income for Auckland spend no more than 30 per cent of their gross income on rent or mortgage repayments, where:

a.median household income shall be determined by reference to Statistics New Zealand

b.in the case of purchase, normal bank lending criteria shall apply, and shall at a minimum be based on a 10 per cent deposit, a 30 year loan term and the average published interest rate of the 4 main trading banks. Body Corporate or Resident Society fees may be included in the calculation of purchase costs.

c.rent shall be the monthly rent set out in a tenancy agreement under the Residential Tenancies Act.

2.Purchase prices or rental of houses may be increased by 5 per cent where:

a.the dwellings have been certified as providing superior energy efficiency achieving at least 7 star level of the New Zealand Green Building Council Homestar Tool 2013 or an equivalent rating, and

b.are located within 200m of a bus, train or ferry service with greater than one hour frequency during off-peak times, i.e. between 9am and 3pm.

3.Where the development involves vacant site subdivision only, the price of the sites identified for Retained Affordable Housing must not exceed a price such that the resulting dwelling plus the site will be unable to meet the price set out above.

4.Where the development involves apartment units (vertically joined units), then the affordability of units is to be based on the value per m² of floorspace. This value should be determined by dividing the price of the unit determined by the formula in clause 1 above, by 80m².

The Queenstown Lakes District Plan refers to Community Housing, rather than affordable housing. This is defined as:

Means residential activity that maintains long term affordability for existing and future generations through the use of a retention mechanism, and whose cost to rent or own is within the reasonable means of low and moderate income households.

Key Points

Affordable housing is a term commonly used to describe housing where there is some form of assistance for renters or owners on median incomes to meet housing costs.

Inclusionary zoning (IZ) is one pathway to increase the supply of affordable housing. Other possible pathways include ensuring adequate supply of land zoned for housing ('over zoning') and supporting the work of community housing providers

IZ imposes district plan requirements on developers to make a proportion of their residential developments "affordable". Typically, a requirement may be that 10% of lots or units of larger developments are sold at a price affordable to households on median or below median incomes. They may be sold to individual buyers or community housing providers.

Queenstown Lakes District Council has utilised a form of inclusionary zoning since 2005, helping to capture some of the value created when rural land is up-zoned for residential development. Affordable housing requirements have also been a feature of a number of Special Housing Areas in a range of areas in New Zealand.

4. Waikato Sub Regional Housing Market

Hamilton City Council, Waikato District Council and Waipā District Council, along with the Waikato Regional Council, are part of the Hamilton Urban Environment, as defined by the 2020 NPS-UD. This grouping reflects the interconnectedness of housing and labour markets in the area.

The Future Proof Partnership (FPP) sub-region includes the territorial authorities of Hamilton City Council, Waipā District Council, and Waikato District Council.

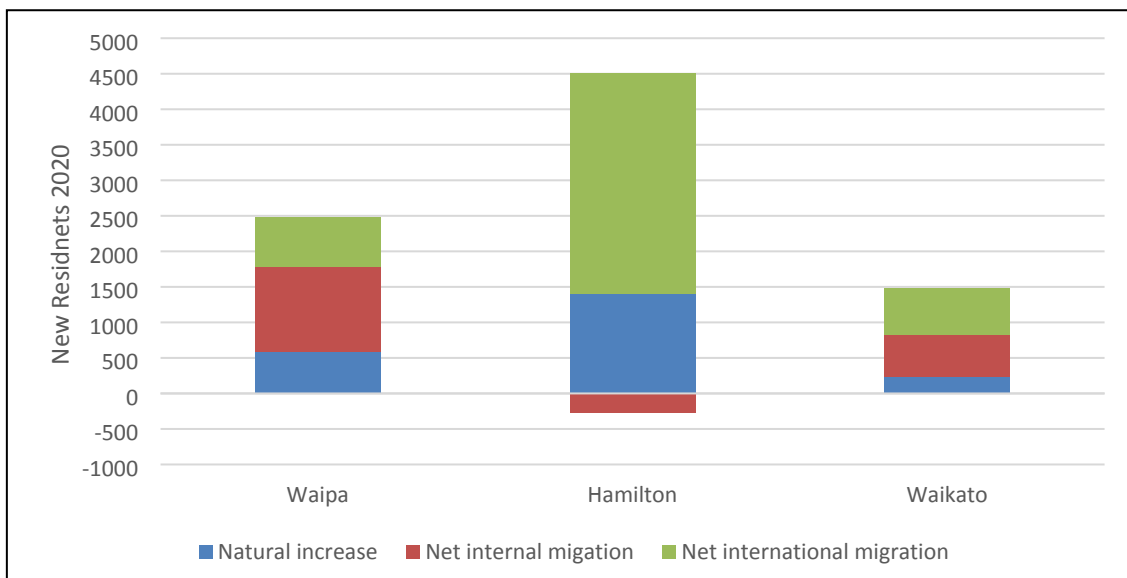
This section provides a summary of the housing market in the FPP area, indicators of housing supply relative to demand and affordability assessments.

4.1 Overview

The FPP sub-region is an area of rapid population growth. It has a population of around 317,200 people based on population estimates by Statistics NZ as of 30 June 2020, and is projected to increase by 27 to 33 percent to between 373,000 and 418,000 people by 2047.

Figure 2 shows the estimated components of recent population growth as recorded by Statistics NZ, for 2020. Hamilton's growth has been fuelled by significant flows of international migrants, and natural increase, partly off-set by a small outflow of residents. The city has a relatively youthful population with a median age of 32. Waipā has seen a significant gain from internal migration, while a median age of 40 suggests demand for new homes for 'family households'. Waikato's growth is mostly resulting from international and local migration. Waikato's median age is similar to Waipā.

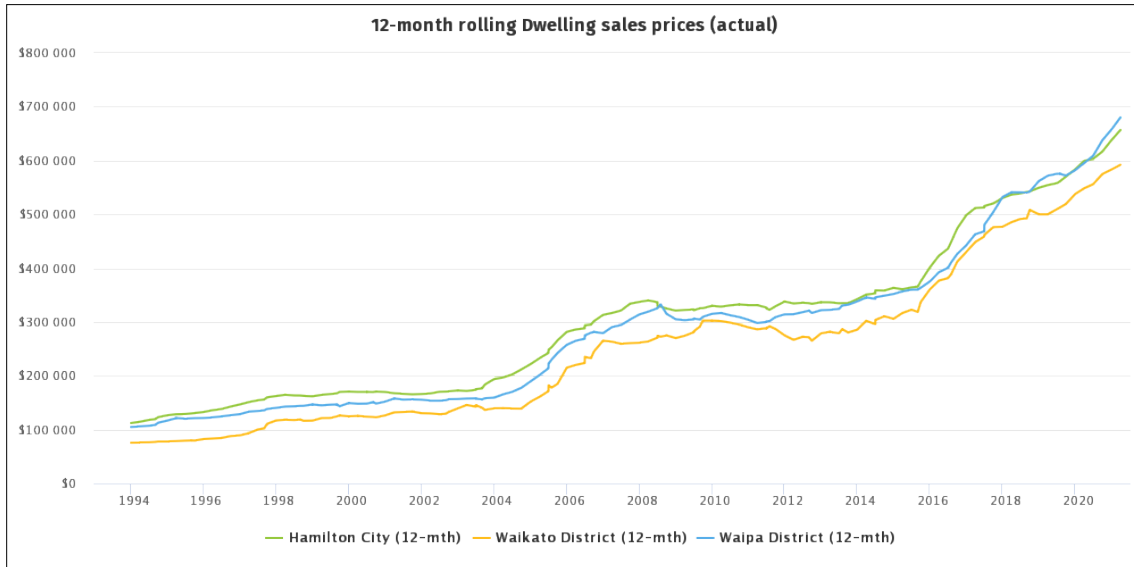
Figure 2: Components of recent population growth



Source: Statistics NZ

Rising housing prices have become a significant issue for the sub-region. The median sales price for a dwelling in the March quarter of 2021 was \$656,630 for Hamilton City; \$680,000 for Waipā District and \$592,000 for Waikato District².

Figure 3: 12 month rolling sale price of dwellings



Source: MBIE Urban Development Dashboard

Figure 3 shows the 12 month rolling average of median sales prices for dwellings³ between 1994 and 2020, as recorded by MBIE. The three areas have followed a similar track, suggesting that the housing markets in the three areas are interrelated and subject to the same pressures.

While median prices are important, lower quartile prices are often identified as forming the affordable housing sector. As reported by QV for July 2021, average house prices and lower quartile house prices are shown in Table 1.

Table 1: Lower quartile house prices

| Area | Average house price | Lower quartile house price |
|----------|---------------------|----------------------------|
| Hamilton | \$834,000 | \$578,000 |
| Waikato | \$730,000 | \$460,000 |
| Waipā | \$832,000 | \$569,000 |

Source: Quotable Value NZ

² Sourced from MBIE dashboard: <https://huddashboards.shinyapps.io/urban-development/#>

³Residential dwellings' include Houses, Apartments, Flats, and Townhouses only. Data sourced from Corelogic

These lower quartile values sit at about 80 to 85 % of market averages.

As a result of high prices, home ownership rates have been declining in Hamilton City, but not Waipā or Waikato. See Table 2.

Table 2: Home ownership

| Area | 2006 | 2013 | 2018 |
|------------------|------|------|------|
| Hamilton City | 61% | 57% | 54% |
| Waipā District | 72% | 70% | 71% |
| Waikato District | 69% | 67% | 71% |

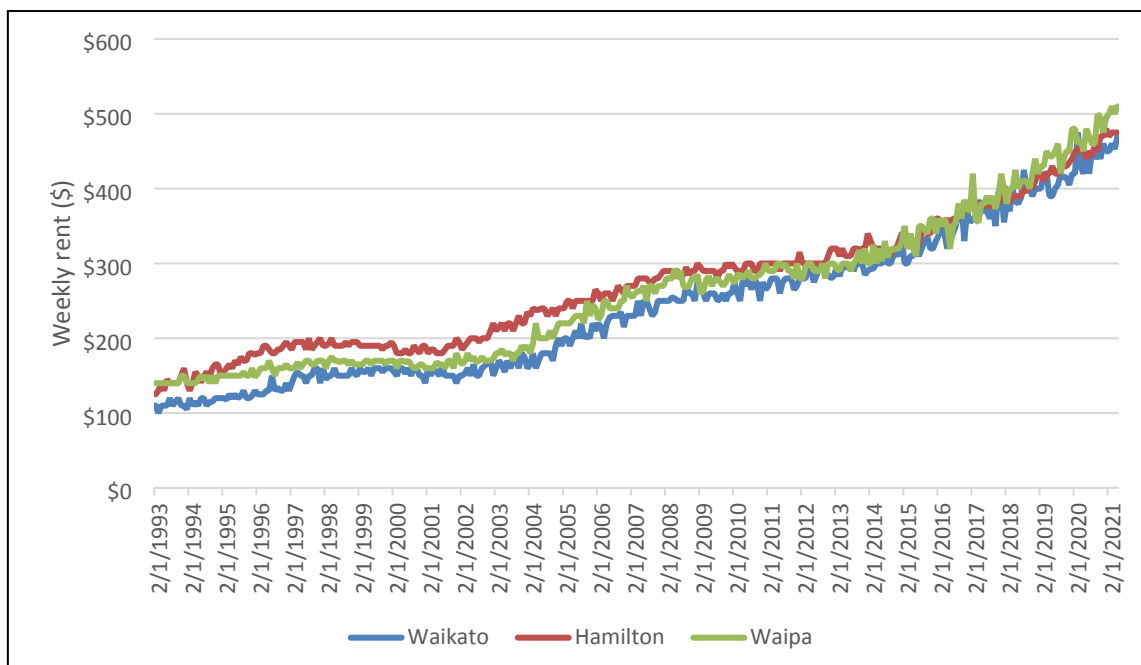
Source: Stats NZ

Māori and Pacific peoples have lower household ownership relative to the general population.

The data suggests that ownership affordability is likely to be more of an issue for Hamilton, while rental affordability may be a bigger issue for Waipā and Waikato.

Rents have increased significantly. As of June 2021, median weekly rents in the Hamilton area are \$475; \$470 in Waikato and \$510 in Waipā. The higher rents in Waipā relative to Hamilton or Waikato may be as a result of higher demand, or larger properties. Lower quartile rents are \$400; \$350; and \$425 respectively. Figure 4 shows MBIE median rental data from 1993 through to 2021⁴.

Figure 4 MBIE Rental data (median weekly rents)



⁴ Sourced from: <https://www.tenancy.govt.nz/about-tenancy-services/data-and-statistics/rental-bond-data/>

Source: MBIE Rental Bond Data

4.1.1 Supply response

The sub-region will require a significant number of new houses over the long-term.

In addition, there may also be an existing shortfall to address. One estimate is that there is an existing housing supply shortfall of around 4,000 houses in community and social housing in Hamilton⁵.

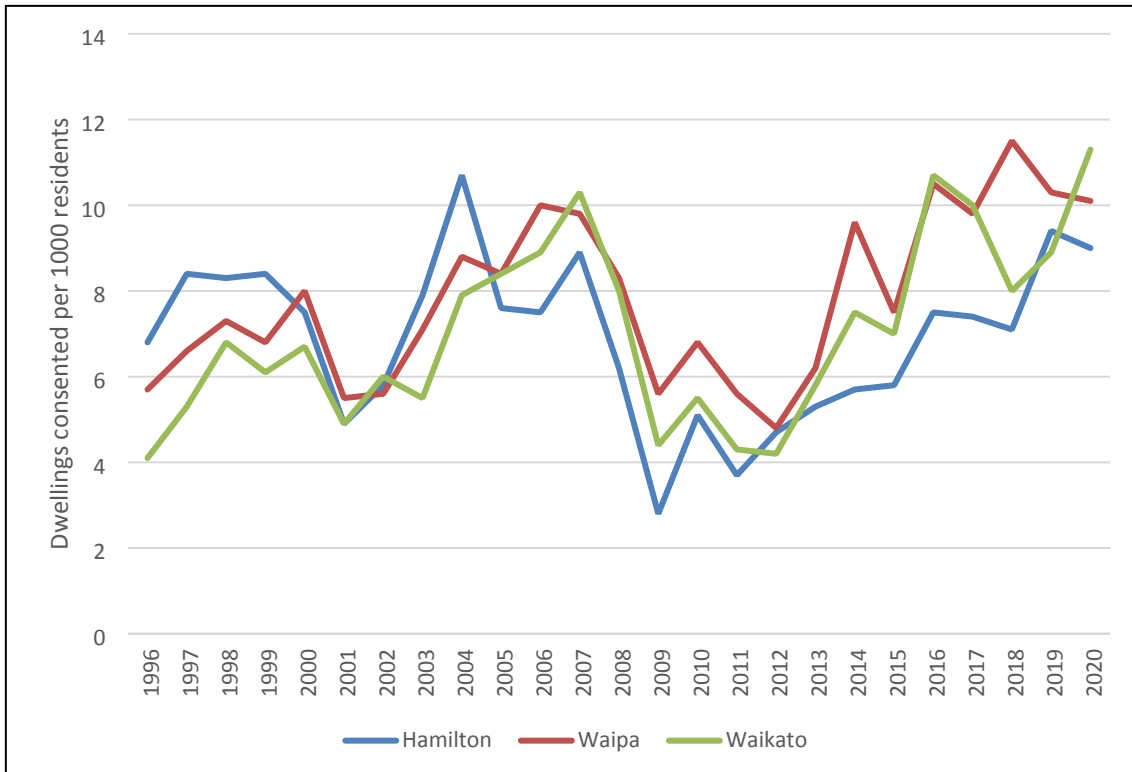
The adequacy of housing supply given high demand is currently being reviewed by the Councils in response to the National Policy Statement on Urban Development. A Housing and Business Development Capacity Assessment has recently been completed⁶. This work confirms that there is an adequate supply of land in aggregate to meet future demands. However, there may be mismatches in local areas and by housing type. This point is discussed further in the next section.

Figure 5 shows recent trends in the rate of house building across the three councils, based on building consent data.

Figure 5: Dwellings consented per 1000 residents

⁵ Waikato Region Housing Initiative – 2018 Housing Stocktake. Prepared by Nifa Limited in collaboration with the Waikato Plan – Waikato Region Housing Initiative Working Group

⁶ NPS-UD Housing Development Capacity Assessment Future Proof Partners, 30 June 2021 final draft.



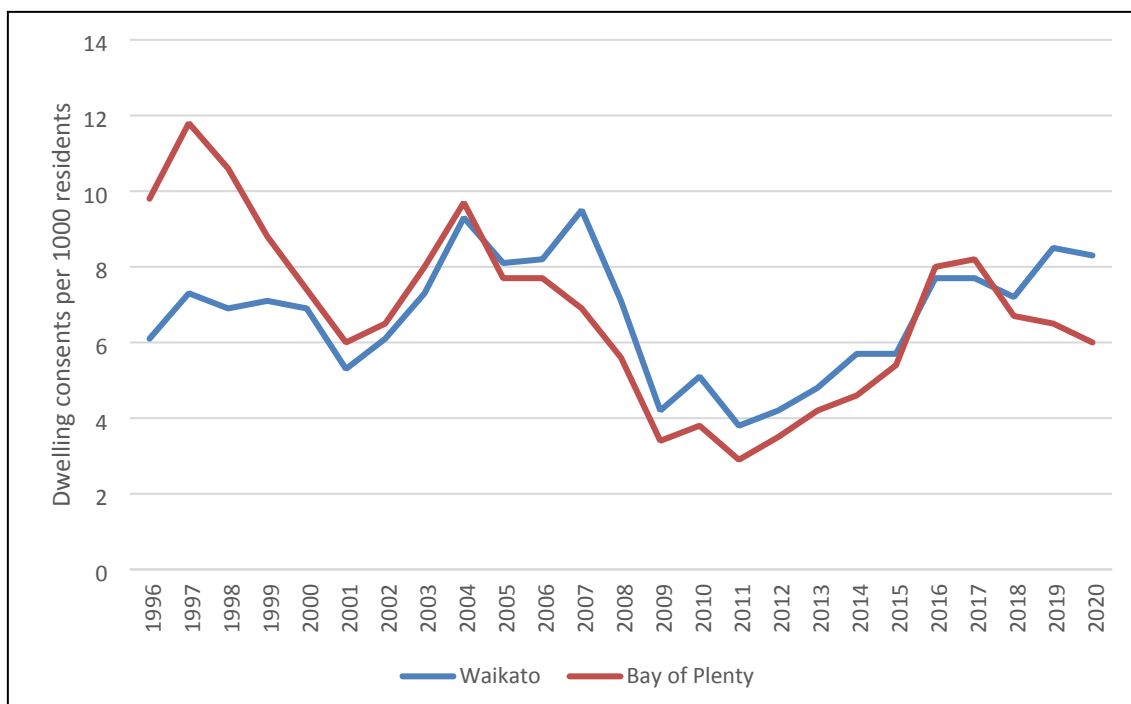
Source: MBIE Urban development dashboard

Figure 5 is based on building consents issued for all types of residential units, per 1,000 residents. The data shows a similar trend across the three councils. There has been a strong upward swing in the rate of building since 2012, following a collapse during the Global Financial Crisis of 2008 to 2010.

The rate of building consents issued per 1000 residents enables simple comparisons across time and between different areas. However, it is not a perfect measure of supply responses. The number of consents issued is dependent upon expectations of growth rates, so a low rate of building consents being issued per 1000 residents may be the result of anticipated low demand for new housing, rather than constraints or barriers inhibiting building consents being sought.

Figure 6 is a comparison between Waikato Region and Bay of Plenty Region. Similar trends are evident, with Waikato Region being somewhat more responsive in the period post 2010.

Figure 6: Dwelling consents: Waikato Region versus Bay of Plenty Region



Source: MBIE Urban development dashboard

In terms of demand for houses from new residents versus supply of additional housing (rather than comparison of new house building to existing residents), the following tables show estimated yearly growth of residents from 2016 (July years)⁷ and corresponding number of building consents issued in the same time period for new dwellings⁸.

Looking at the period 2016 to 2020, the population of Hamilton has expanded by around 15,700 people, while 5,620 residential units have been consented. This is one consent per 2.79 additional residents. While not all building consents will be actioned, and some consents will be for replacement dwellings, the data suggests a relatively buoyant house building market, relative to population growth.

Table 3: Hamilton City population increase versus residential building consents

| Hamilton City | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2016-20 |
|--------------------------------------|---------|---------|---------|---------|---------|
| Population increase (estimated) | 4,300 | 3,500 | 3,700 | 4,200 | 15,700 |
| Residential building consents issued | 1,214 | 1,192 | 1,620 | 1,594 | 5,620 |
| Population per dwelling | 3.54 | 2.94 | 2.28 | 2.63 | 2.79 |

⁷ Stats NZ Population estimates

⁸ There is likely to be a lag between population growth and building consents being issued. However, to keep the comparison simple, the tables do not assume any lag.

The number of new residents per dwelling consented may be artificially high if affordability constraints limit rates of formation of new households. If a trend towards smaller households (number of residents per dwelling) was maintained, for example 2.6 people per new dwelling, then 6,000 dwellings would have been needed to house the new population, or 400 more than consented by Hamilton City Council, over the period 2016 to 2020.

Waikato District shows a similar pattern. Historical data suggests a ratio of residents to dwellings of around 3.0. This would imply 3,400 dwellings were needed over the period 2016 to 2020, not the 3,000 consented.

Table 4: Waikato District population increase versus residential building consents

| Waikato | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2016-20 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Population increase (estimated) | 3,000 | 2,600 | 2,200 | 2,500 | 10,300 |
| Residential building consents issued | 753 | 628 | 717 | 937 | 3,035 |
| Population per dwelling | 3.98 | 4.14 | 3.07 | 2.67 | 3.39 |

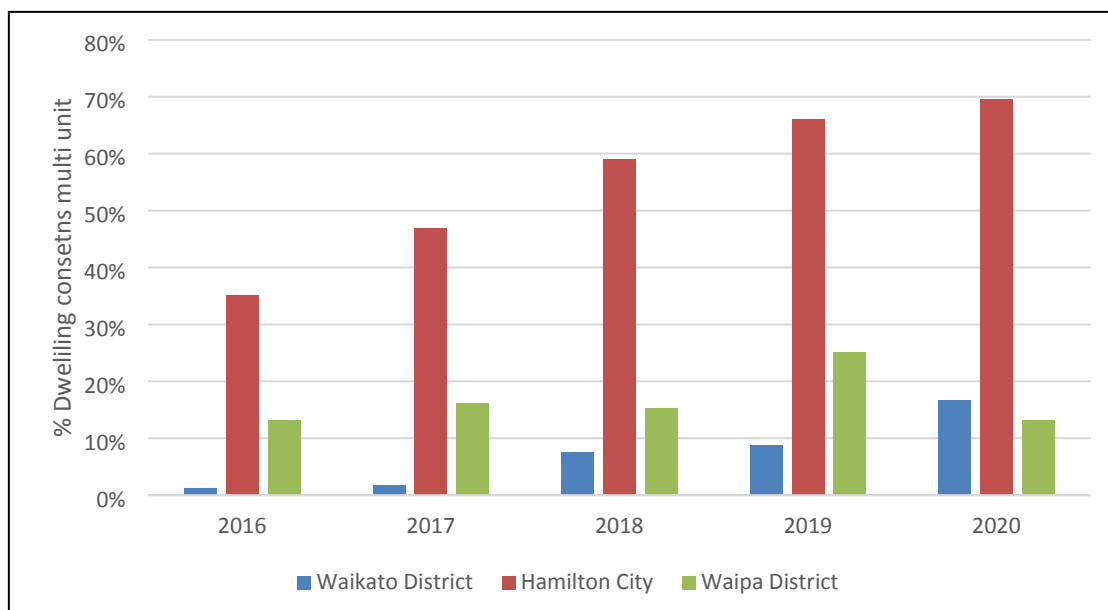
Waipā has seen 2,300 dwellings consented against an estimated population increase of 5,600 people between 2016-2020.

Table 5: Waipā District population increase versus residential building consents

| Waipā | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2016-20 |
|--------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Population increase (estimated) | 1,500 | 1,300 | 1,300 | 1,500 | 5,600 |
| Residential dwelling consents issued | 528 | 634 | 581 | 582 | 2,325 |
| Population per dwelling | 2.84 | 2.05 | 2.24 | 2.58 | 2.41 |

In terms of the type of dwellings being constructed, Figure 7 shows the percentage of dwelling consents issued for multi-unit development – apartments, town houses, flats and retirement units. Hamilton City is recording over 60% of new dwellings in these more intensive typologies, which is a significant share of growth for a medium sized city.

Figure 7: Share of building consents for intensive forms of housing



Source: Stats NZ

Waipā and Waikato are much more focused on stand-alone houses.

4.1.2 Incomes

Household incomes have not kept up with house price growth. Median household incomes as of 2018 vary across the three jurisdictions. See Table 6.

Table 6: Median Household Incomes

| Area | Median Household Income 2018 |
|----------|------------------------------|
| Waikato | \$ 86,600 |
| Hamilton | \$ 73,000 |
| Waipā | \$ 80,000 |

Source: 2018 Census

Hamilton has a lower median income than Waikato or Waipā. Waikato and Waipā's median will reflect the influence of rural activities – their urban populations may have a lower median. As a comparison, for New Zealand as a whole the median household income in 2018 was \$75,700.

Figure 8 shows the distribution of households across the income bands, for 2018.

Figure 8: Share of households in income bands, 2018



Source: 2018 Census

Hamilton has a greater proportion of households in lower income bands.

Based on 80 to 120% of median income, the following numbers of households are present in each district. See Table 7.

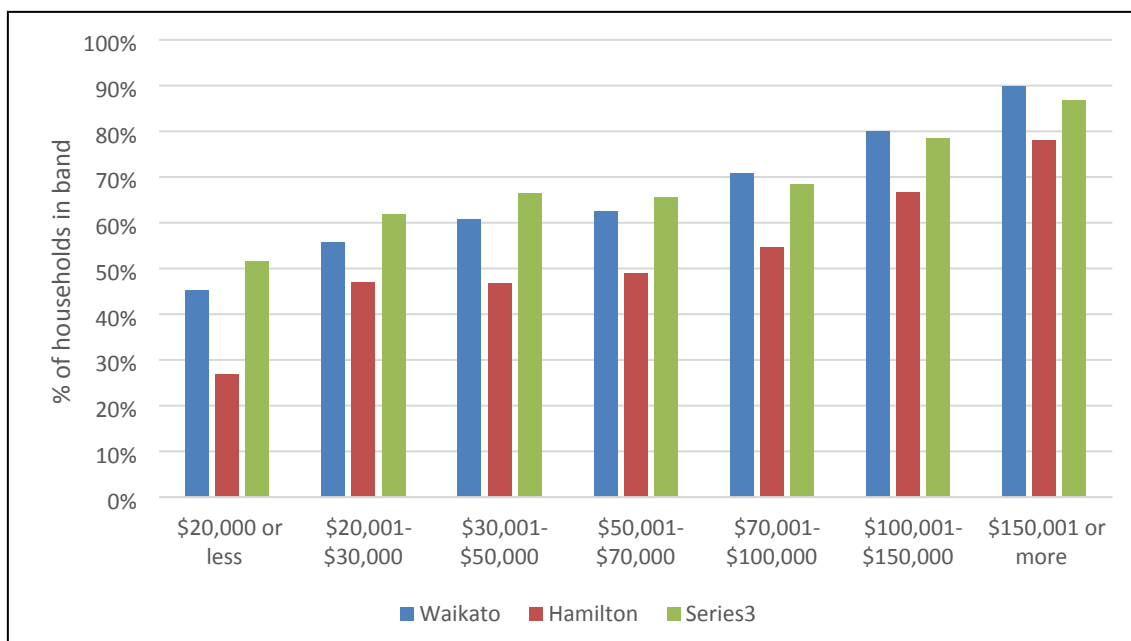
Table 7: Number of households between 80 and 120% of median income

| Area | 80% of median income | 120% of median income | Estimated number of households between 80 and 120% of median income |
|----------|----------------------|-----------------------|---------------------------------------------------------------------|
| Waikato | \$ 69,280 | \$ 103,920 | 3,800 |
| Hamilton | \$ 58,400 | \$ 87,600 | 7,700 |
| Waipā | \$ 64,000 | \$ 96,000 | 3,000 |

Hamilton's 7,700 households in the 80 to 120% band represent around 14% of total households in the city. Assuming overall growth of around 1,400 households per year, and similar income profiles, then around 200 affordable homes may be required each year, if this is the 'target' market.

Figure 9 shows rates of home ownership by income bands. In the 'middle \$70,001 to \$100,000' income band, home ownership rates in Hamilton are about 55%, as compared to 70% in Waipā and Waikato.

Figure 9 Home ownership by income band, 2018



Source: 2018 Census

4.2 Affordability assessments

4.2.1 Household Incomes versus house prices

The ratio of house prices to household incomes provides a very simple, broad measure of affordability. House prices around three times median income was once considered affordable, but current low interest rates and bank lending criteria see income to house price ratios more like five to six times income. For example, median income of \$80,000 translates into an affordable house price of around \$480,000.

There are various agencies that regularly produce reports on incomes versus house prices. They use different measures of income and house prices. Two examples - *Corelogic* and *Interest NZ* are examined below.

*Corelogic*⁹

Corelogic home affordability report (February 2021) tracks average house prices with average gross household incomes across the main centres.

As at Q4 2020, the average property value across NZ was 6.8 times the average annual household income. That is up from 6.5 in Q3 2020 and also higher than 6.3 in Q4 2019.

Corelogic report that Hamilton, Wellington, and Dunedin all have house value to income ratios between six and seven, which are lower than Tauranga and Auckland. By contrast, Christchurch's

⁹ https://www.corelogic.co.nz/sites/default/files/2021-02/Q4_2020_NZ%20Housing%20Affordability_Report-230221-V4.pdf

value to income ratio of 5.2 is in line with the long term average and well below the previous peak of 5.9 (Q2 2007).

Corelogic note that for much of the past 10 years or so, Hamilton’s property prices have been growing ahead of incomes, with affordability steadily worsening. In 2010, the value to income ratio was 4.3, but over the next five years it rose to 5.5, and now stands at 6.7. Repayments currently absorb 32% of gross household income, above 2015 and 2010 (28%). The number of years required to save a deposit has also risen over time (from 5.7 in 2010 to 8.9 now), while the rent to income ratio has also increased.

Figure 10: Corelogic analysis of Hamilton City affordability

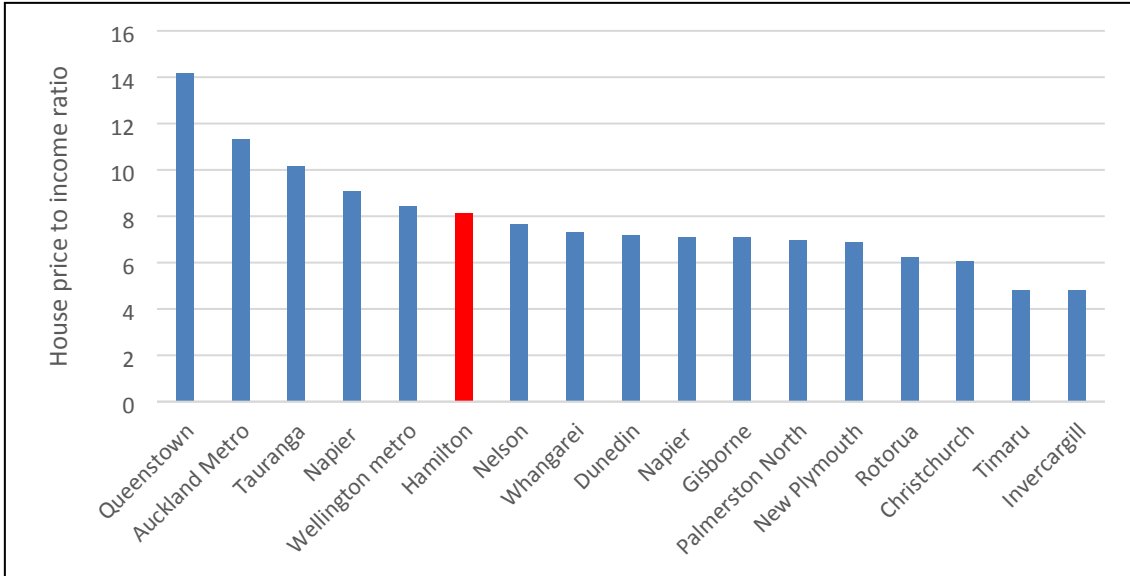
| | Average property value | | Average annual household income | | Value to income ratio | Share of income for repayments | Years to save deposit | Rent to income ratio |
|------------------------|------------------------|----------|---------------------------------|----------|-----------------------|--------------------------------|-----------------------|----------------------|
| | \$ | % Change | \$ | % Change | | | | |
| 15 years ago (Q4 2005) | \$299,177 | | \$62,376 | | 4.8 | 36% | 6.4 | 20% |
| 10 years ago (Q4 2010) | \$326,595 | 9% | \$76,494 | 23% | 4.3 | 28% | 5.7 | 19% |
| 5 years ago (Q4 2015) | \$444,211 | 36% | \$80,960 | 6% | 5.5 | 31% | 7.3 | 20% |
| Latest (Q4 2020) | \$674,562 | 52% | \$101,055 | 25% | 6.7 | 32% | 8.9 | 22% |

Note: Corelogic uses average incomes, rather than median incomes. Average incomes can be influenced by a few, very large incomes.

Interest NZ

Interest NZ provides a different measure of incomes to house prices. Interest NZ uses median income based on a household comprising of one full time worker on a median income, and one worker on 50% of a median income, both in the 30-34 age range, plus the Working For Families income support they are entitled to receive under that program. This standardised household is assumed to have one 5 year old child.

Figure 11: Interest NZ ranking of affordability (worst to best), 2021



Data for Waikato and Waipā districts is not available. It is estimated that the districts have house price to incomes sitting at between 4.5 and 5.5.

4.2.2 Income devoted to housing

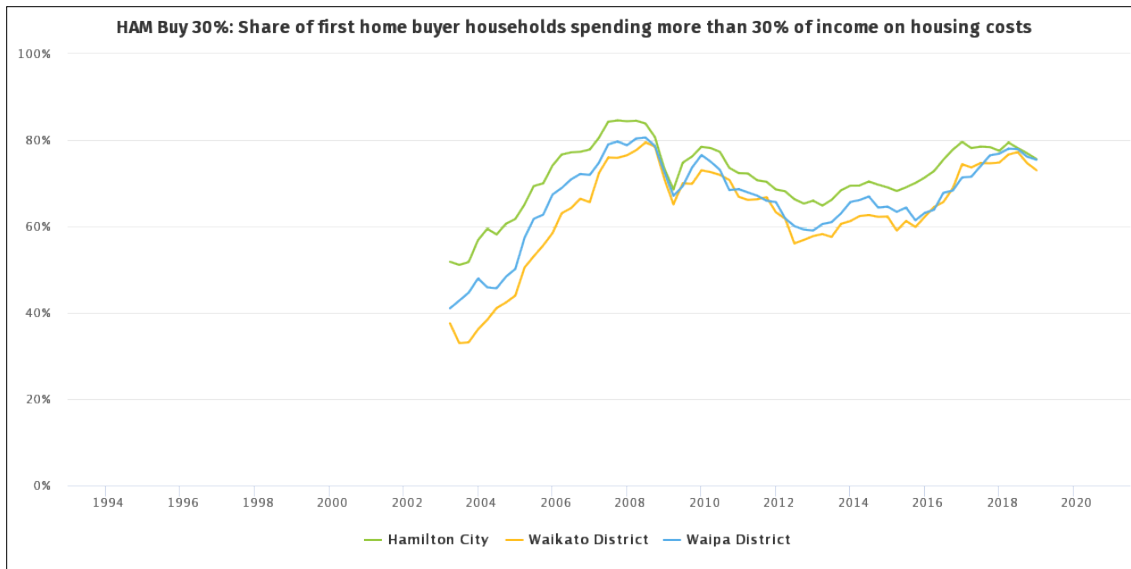
MBIE regularly track housing affordability. Their Housing Affordability Measure (HAM) measures trends in housing affordability for the first home buyer household:

1. Housing Percent Buy is an estimate of how many renters would spend more than 30 percent of their income if they bought a lower quartile house with the same number of bedrooms as their current house, in the area that they currently live in.
2. Housing Percent Rent identifies the proportion of renters in an area (region, territorial authority and Auckland wards) whose rent is more than 30 percent of their household income.

Affordability is affected by dwelling prices, mortgage interest rates and the incomes of households.

On the first measure, around 75% of Hamilton city first homeowners are spending more than 30% of their incomes on housing costs, with a similar percentage in Waikato and Waipā.

Figure 12 Housing affordability – first home buyers

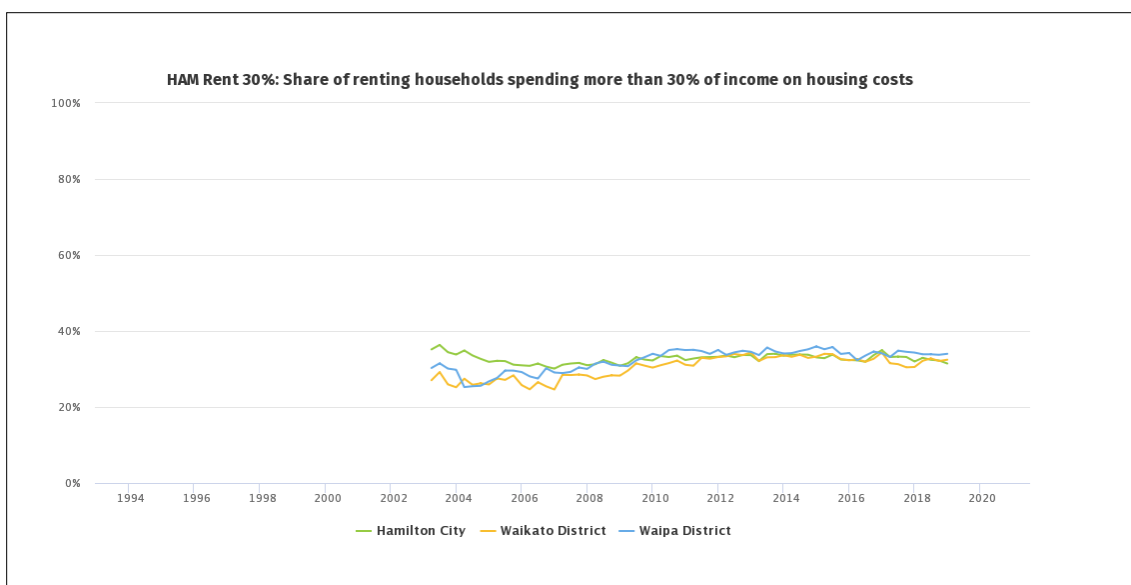


Source: MBIE urban development dashboard

The high percentage of households spending more than 30% of income on housing costs suggests that households are often prepared to cut back other spending to achieve home ownership. The data also suggests that an affordability metric of households spending no more than 35% of gross income may be a more appropriate reflection of the trade-offs involved, than a 30% cut off.

Figure 13 shows the share of renting households spending more than 30% of income on rents. The percentage has remained stable over the past 10 years, suggesting rents are much more tied to incomes than house prices.

Figure 13: Share of renting households spending more than 30% of income



Source: MBIE urban development dashboard

As an alternative measure, Interest.co.nz run a home affordability assessment for 'first home' buyers purchasing a lower quartile house. The June 2021 assessment for Hamilton is as follows¹⁰.

Table 8: Housing affordability

| Area | 10% deposit | Years to save deposit | Required Mortgage | Weekly repayments | Weekly income median for couple, (after tax) | % after tax income |
|----------|-------------|-----------------------|-------------------|-------------------|----------------------------------------------|--------------------|
| Hamilton | \$65,150 | 3.7 | \$586,350 | \$625 | \$1,733 | 36% |

The after tax income is relatively high, as it is based on two workers.

Key Points

The data on affordability suggests more modest affordability issues for the three FPP Councils, compared to places such as Auckland and Queenstown. Yet ownership affordability has deteriorated in Hamilton. As with most areas of New Zealand, the rise in house prices has had a particular impact on first home buyers through rising deposit requirements and requirements for larger mortgages.

The extent to which 'underbuilding' may have contributed to affordability issues is not clear with the data suggesting a reasonably buoyant house building market in the last 5 years or so.

While affordability issues are not at a 'crisis point', affordable housing programmes are a long term strategy aimed at mitigating future effects, as much as they seek to address existing problems.

¹⁰ <https://www.interest.co.nz/property/111404/house-prices-affordable-end-market-have-stopped-rising-they-arent-getting-any>

5. Capacity for Growth

The capacity to accommodate growth demands is an important input into the future response of housing markets to high prices, and whether affordability may worsen or improve. This section reviews data on housing capacity versus likely housing demands.

5.1 Housing and Business Development Capacity Assessments

5.1.1 2017 Assessment

By way of context, a 2017 housing capacity assessment for the Future Proof area¹¹ determined that development capacity for housing was well supplied across the Future Proof sub-region. Overall, there was ample supply of current housing development capacity in the short and medium terms. The house value band sufficiency analysis suggested that there was likely to be some shortfalls in the lower dwelling value bands across the Future Proof sub-region, with shortfalls increasing in the longer term.

A summary of the assessment noted that there were multiple initiatives then underway to increase supply in the medium and long term. In Hamilton, housing capacity was available via the sequence of greenfield growth cells around the edges of the city and a large amount of infill and redevelopment capacity within the existing urban area. In Waikato and Waipā, assuming that more housing development opportunities would become feasible over the medium to long term, and that additional capacity will become enabled in the districts, the assessment concluded that there was likely to be sufficient feasible capacity to meet the demand plus an additional margin in the medium to long-term period.

5.1.2 2021 Update

The FPP has recently completed an updated housing and business capacity assessment¹².

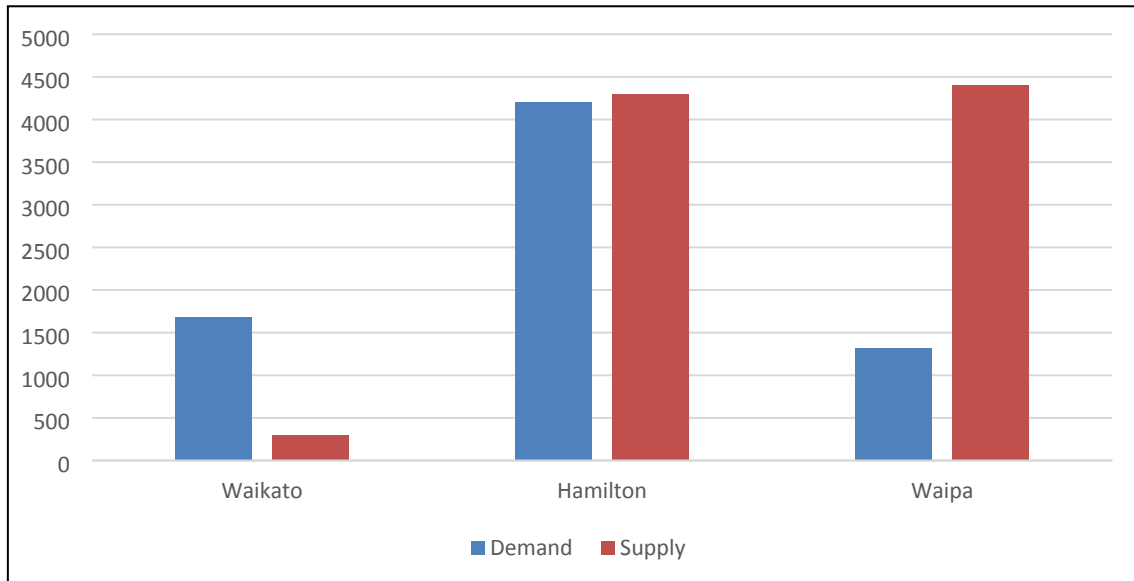
At the combined FPP level, the analysis suggests high demand with sufficient capacity that can be realised in Hamilton and Waipā. The data in the report suggests under capacity in Waikato in the short term, but the proposed district plan review is addressing this.

Figure 14 shows short term (next 3 years) demand for urban houses (plus a 20% margin) versus capacity that can be reasonably realised.

¹¹ Housing and Business Development Capacity Assessment 2017 Summary Report

¹² NPS-UD Housing Development Capacity Assessment , Future Proof Partners, 30 June 2021 – final draft

Figure 14: Urban demand versus likely supply, 2021-2024



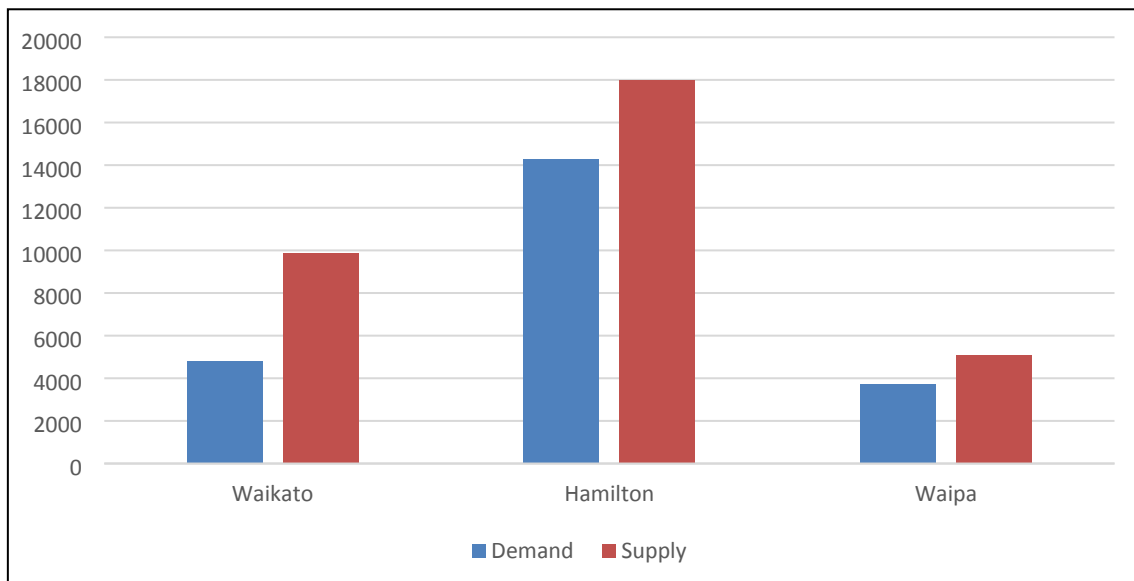
Source: Future Proof Housing and Business Capacity assessment 2020

In terms of specific factors:

- Hamilton’s existing urban area contains the largest amount of plan enabled capacity for additional dwellings;
- around half of Hamilton City’s and Waikato District’s households are 1-2 person households
- currently around four-fifths (83%) of the demand in Hamilton is for detached dwellings, while within Waikato, currently around 95% of the demand is for detached dwellings; and
- for Waipā, currently around 91% of the demand for housing is for detached dwellings. Under the base case scenario around four-fifths (82%) of the future additional dwelling demand is for detached dwellings.

In the medium term (10 years out), capacity that is estimated to be reasonably likely to be realised exceeds demand. See Figure 15.

Figure 15: Housing demand versus supply, medium term (2021-2031)



Source: 2020 HBCA

5.1.3 Affordability

Key findings as they relate to affordability:

- there are projected shortfalls in capacity within the lower to mid value bands of the market as the feasible development options tend to be concentrated into the mid to higher dwelling value bands;
- these shortfalls may be partly offset by movement within the housing market where a large share of the new dwelling capacity is likely to be occupied by existing households moving upward within the market, consequently freeing up capacity within the lower value parts of the existing stock; and
- the shortfalls in capacity within the lower dwelling value bands are generally projected to increase through time.

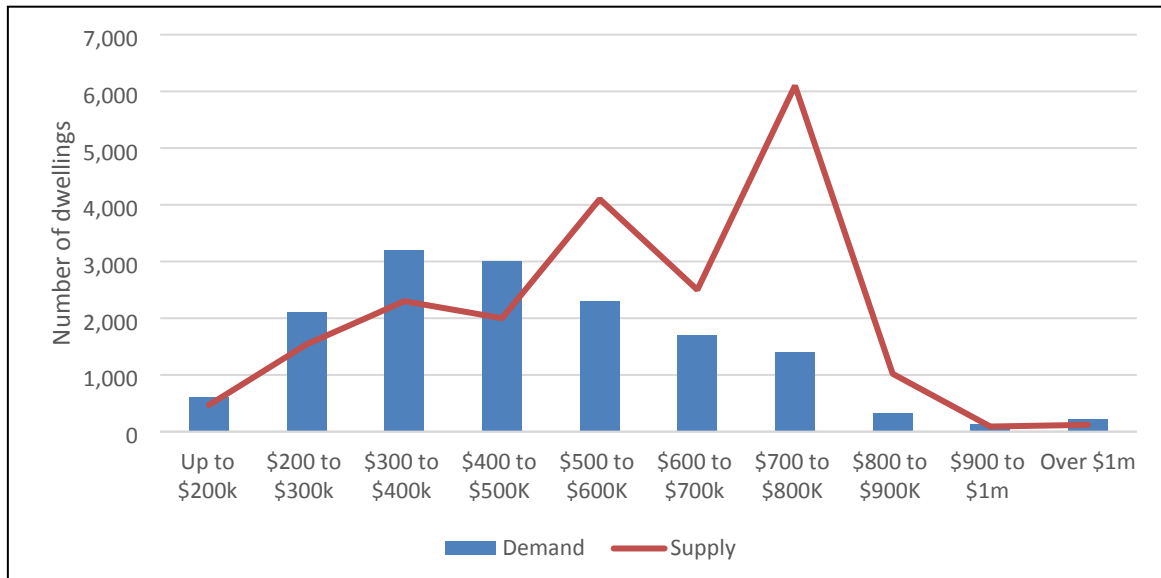
The HBCA assessment has found that FPP planning decisions may have some impact on affordability within the local housing market, but that the largest impact comes from non-planning factors. The assessment shows that there is a large amount of zoned feasible development options available beyond the scale of demand within most urban areas. This suggests that there is unlikely to be a constraint, in the medium-term, associated with the level of zoned (and infrastructure-served) opportunities available to the market.

5.1.4 Waikato district

At the district level (for the medium term) there is a surplus of capacity in Waikato District, with overall sufficiency ranging from 108% (Raglan) to 171% (Pōkeno/Tuakau) (with the mid-district urban areas at 124%). However, all three areas continue to show significant shortfalls in capacity across the lower to mid dwelling value bands (up to \$500k to \$700k). There is 'surplus' capacity in the \$700k to \$900k range which may be redirected by developers to the lower band to meet unmet demand.

Figure 16 shows the combined analysis for Waikato District, for the medium term (i.e. out to 2030), showing estimated demand and supply, across house price bands.

Figure 16: Demand versus supply, medium term (2021-2031), by house price, Waikato District



Source: Future Proof Housing and Business Capacity assessment

These estimates are based on:

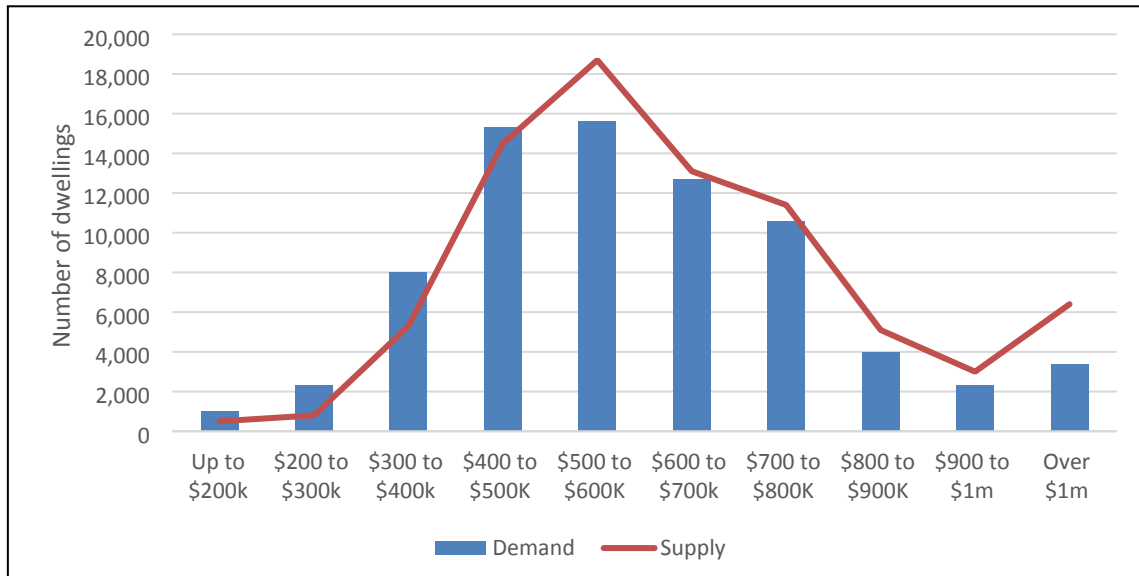
- housing demand plus NPS-UD margin;
- current income levels and prices; and
- expected supply (based on reasonably expected to be realised zoning capacity).

5.1.5 Hamilton City

In contrast to Waikato, Hamilton City shows a better match between demand and supply.

Overall, analysis shows a surplus of around 3,700 dwellings at the total level, equating to a sufficiency of 105%. However, there are projected shortfalls across the lower dwelling value bands, and surpluses within the higher value bands. There is a projected shortfall of around 5,500 dwellings within the lower bands up to \$500k. The sufficiency across these value bands amounts to 79%. See Figure 17.

Figure 17: Demand versus supply, medium term (2021-2031), by house price, Hamilton City



Source: Future Proof Housing and Business Capacity assessment

5.1.6 Waipā

Across Waipā District's two main urban areas (Cambridge and Te Awamutu/Kihikihi) there are surpluses projected for the medium-term. The current feasible capacity on the infrastructure-served greenfield areas (taking into account likely yields) substantially exceeds the projected medium-term demand. In the medium-term, there is a projected surplus of around 1,400 dwellings across the areas combined, under the current prices scenario.

Figure 18: Demand versus supply, medium term (2021-2031), by house price, Waipā District



Source: Future Proof Housing and Business Capacity assessment

In Cambridge, the shortfalls are projected to increase to around 1,300 dwellings in the low to mid dwelling value bands (up to \$700k), with overall sufficiency decreasing to 76% across these value bands.

The projected shortfalls in the lower dwelling value bands are also projected to increase within Te Awamutu/Kihikihi into the medium-term. Under the current prices scenario, the shortfall is projected to increase to around 900 dwellings in value bands up to \$600k. This equates to a sufficiency of 84% of total market demand across these value bands.

Key Points

The review of housing demand and capacity highlights the following points:

- there is a miss-match between housing demand and housing supply, with supply focused on mid to upper quartile prices, while demand is from across the spectrum
- planning constraints (or barriers) are not assessed to be the main cause of this miss-match. There is the ability for the market to 're-direct' some new home capacity to meet middle income households, but limited signs that this will occur in practice
- variable relationships between demand and supply across the three districts may see some differential growth pressures arise. Lack of affordable product is likely to drive some displacement of demand from central areas to more peripheral areas, including South Waikato. This creates pressure to expand smaller settlements where infrastructure provision may be an issue
- conversely, Hamilton may see added pressures, if affordable housing is not provided for in Waipā and Waikato
- without access to housing stock appropriate for workers involved in a range of activities, it is possible that some economic diversification may be stymied
- a reliance on renting to meet housing needs can see a lack of stability across neighbourhoods, leading to a reduction in social capital.

6. Strategic Response

The lack of affordable housing is creating a number of issues for resource management, including displacement of demand to outlying settlements. This increases pressures on transport networks, while demand for out of sequence growth may create significant infrastructure commitments for councils.

The following section briefly reviews current plans and strategies and the extent to which they provide for resolution of the above resource management issues.

6.1 Strategic planning

Hamilton City, Waipā District and Waikato District are members of Future Proof.

Key features of the 2017 Future Proof Strategy include:

- increased densities in new residential development
- more intensive redevelopment of some existing urban areas.
- supporting Hamilton City to be a vibrant and lively place that people want to live, work, play, invest and visit
- protection of the natural environment
- providing housing choice
- supporting opportunities to address housing affordability
- green spaces
- protection of versatile and productive rural land
- protection of future infrastructure corridors
- coordinating transport and land-use planning integrating land use, infrastructure and funding.

These strategies are in response to the strong growth pressures being experienced in the FPP area. Growth is being driven by 'spill over' growth from the Auckland Region, as well as from expansion of the local economies.

A key feature of the 2017 strategy is building on current settlement patterns. Figure 19 shows the main spatial arrangement.

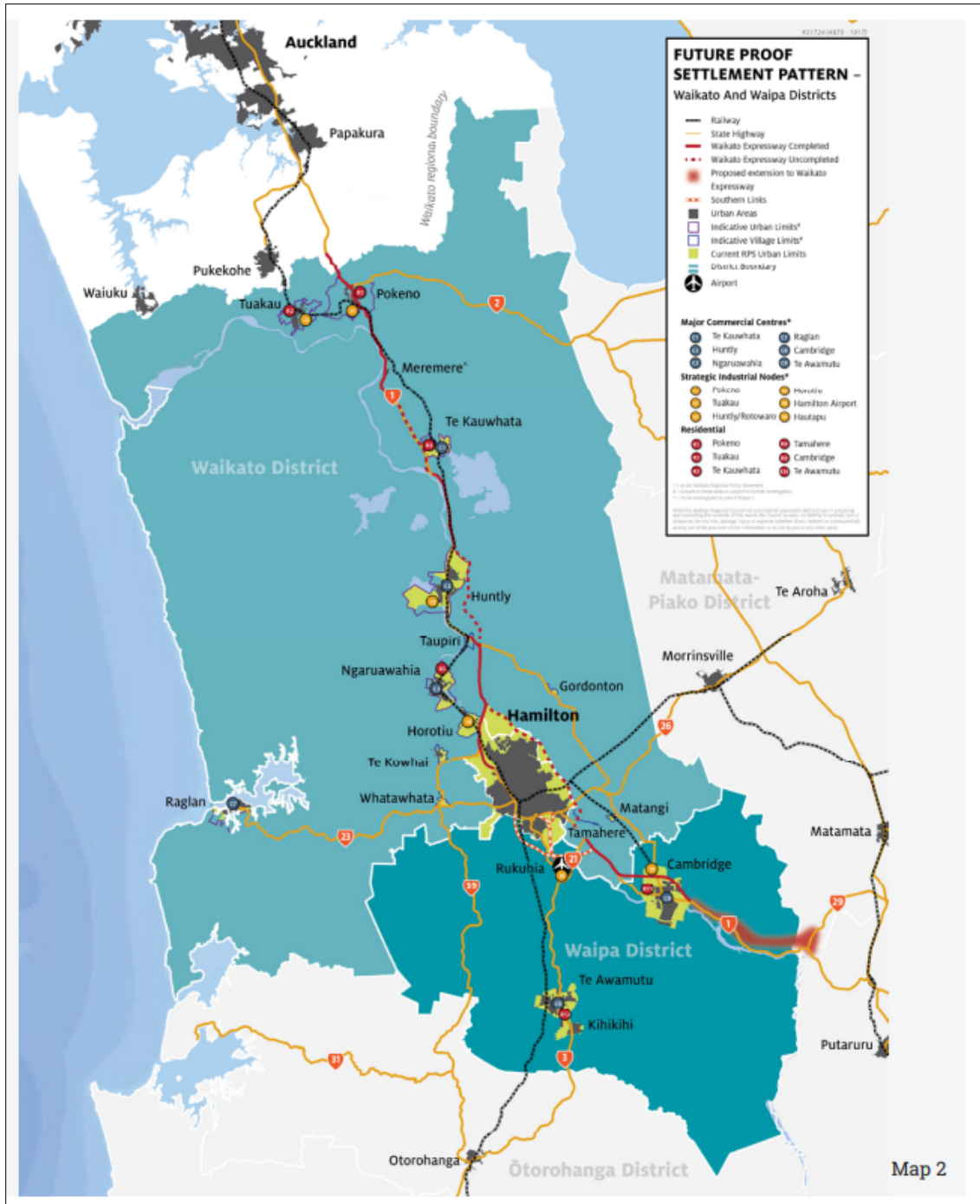


Figure 19: Future Proof 2017 Spatial Strategy

Hamilton City has an urban focus with most growth by way of an equal mix between greenfields growth and infill (50% infill, 50% greenfield).

Waipā District's focus is on the two 'satellite' towns of Cambridge and Te Awamutu where about 80% of the district's growth is likely to be accommodated (45% Cambridge, 35% Te Awamutu/Kihikihi), with the remaining growth in villages (10%) and rural environments.

Waikato district has a roughly 50/50 split between townships and rural areas. Of the townships, Tuakau and Pokeno are expected to grow the fastest, given their proximity to Auckland.

FPP are continually updating their plans in response to growth pressures and changing policy directives.

The main strategy to address affordability issues is to support and enable housing supply options.

6.2 Spatial planning

The Hamilton-Waikato Metropolitan Plan (Metro Spatial Plan or MSP) is being delivered through the Future Proof Partnership and is one of the initiatives being delivered as part of the broader Hamilton to Auckland Corridor Plan. The MSP has a stronger focus on housing supply.

There are six transformational moves for change, one of which is directly relevant to affordable housing: thriving communities and neighbourhoods.

Thriving communities and neighbourhoods - enabling quality denser housing options that allow our natural and built environments to coexist in harmony increasing housing affordability and housing choice to meet the needs of growing and changing communities.

To achieve this outcome, the MSP proposes an urban environment that is a mix of higher density growth primarily around centres, and growth along key public transport corridors, with increasing densities in greenfield areas. Approximately 70 percent of growth will be focussed in Hamilton, with around 30 percent of growth in key townships in the Waikato and Waipā districts. Of this growth, around 50 percent will be provided through infill or intensification of existing urban areas. While the MSP directs growth to these areas it is important to note that the plan assumes a limited amount of ongoing growth will occur outside of these identified areas, in line with district growth strategies and FPP.

The MSP makes the following statements in relation to housing affordability and choice:

The MSP will contribute towards reducing the cost of supplying housing and increasing housing affordability and choice. The plan primarily addresses housing affordability through land supply and housing development in the appropriate places. In summary, the key elements of this approach include:

- *Enabling a range of locations for housing, at a range of densities, which will provide the opportunity for a diverse range of housing types.*
- *Providing opportunities for housing and lifestyle choice, including papakainga, within defined locations, with greater emphasis on good urban design.*
- *Identifying a range of urban development opportunities to enhance competitive land markets which can contribute to more affordable housing.*
- *Social housing will continue to be explored through the already established Waikato Housing Initiative.*

6.3 Growth and housing strategies

6.3.1 Hamilton

Hamilton City has prepared a Housing Strategy¹³. The Strategy signals that the Council wishes to take a range of actions to address housing issues, beyond the 'core' functions of zoning and infrastructure provision. The Strategy has four goals, one of which is that Hamilton / Kirikiriroa has a well functioning housing system. This includes more availability and choice of housing and more affordable homes.

Actions include identifying district plan changes, working with the Waikato Community Lands Trust, and investigating Inclusionary Zoning.

In terms of financial actions, the Council has committed \$2 million to support the initial acquisition of land by the Lands Trust. Council also supports Social Housing through its development contributions policy. This policy provides for the remittance of development contributions of up to 100% to social housing developments. Relevant criteria that the Council take into account cover:

- the development must deliver not-for-profit housing;
- the applicant on the building consent or resource consent must be registered as a community housing provider with the Community Housing Regulatory Authority;
- the development will provide social and/or affordable rental housing.

6.3.2 Waipā

Waipā's 2017 Growth Strategy¹⁴ recognises that urban form, housing types, housing needs of an ageing population, design, location and affordability are some of a number of challenges facing the district. The strategy promotes a more flexible approach to land supply in locations of demand than previous strategies.

The Strategy states that Waipā will continue to have a land-based economy and protect its natural resources including soils as well as its land uses. No significant areas of additional industrial land are expected to be required (demand for more industrial land will be catered for by growth areas which have already been identified, i.e. Bond Road, Hautapu, Titanium Park and Paterangi Road).

6.3.3 Waikato

Waikato's 2070 Growth Strategy¹⁵ recognises the growth pressures the district is under, particularly spill-over growth from the Auckland Region. One of the actions of the strategy is to help deliver inclusive growth. Affordable housing is not directly mentioned, however there is a strong emphasis

¹³https://www.hamilton.govt.nz/ourcouncil/strategiesandplans/Documents/23312%20HCC%20Housing%20Strategy%20Doc_WE_B.pdf

¹⁴<https://www.waipadc.govt.nz/repository/libraries/id:26zgz4o7s1cxbyk7hfo7/hierarchy/our-council/waipac2050/documents/Waipac%202050%20Growth%20Strategy%20-%20Final%20November%202017.pdf>

¹⁵ <https://openwaikato.co.nz/wp-content/uploads/2020/06/Waikato-2070.pdf>

on economic growth, and as part of this, the ability to house workforce locally for existing and future industries is an important aspect.

6.4 District Plans

Attachment One sets out a scan of district plan policies relating to urban growth and housing capacity. The following section provides a brief overview of district plan approaches to growth and development.

All three Councils have yet to respond to the National Policy Statement on Urban Development and its requirements to upzone land around major centres.

6.4.1 Hamilton City

There is a sizeable amount of infrastructure ready zoned opportunity relative to long-term demand.

The city has three larger greenfields areas, with one area well advanced in terms of planning (Peacock). Most of the greenfield areas are projected to be feasible to develop and are likely to form 'reasonably expected to be realised' capacity. RMA reforms and the NPS-UD may see more greenfields areas being proposed (responsive planning).

There are opportunities for urban intensification through higher density development within the existing urban area. Hamilton is seeing a lot of infill via duplex type development on smaller lots. Within the General Residential zone, a duplex unit is possible on a 400m² site. The City also has a Residential Intensification Zone with a density of 1 unit per 150m² for duplexes or apartment buildings. The Residential Intensification Zone has a height limit of between 10 and 12.5m.

Through Plan Change 11 the Council did initially propose more liberal density provisions in residential areas, in particular:

- reducing the minimum section sizes in the General Residential Zone from 400m² to 300m²;
- enabling apartments in the General Residential Zone next to open space zones around parks, the lake or the Waikato River; and
- processing apartments as a non-notified activity in the Residential Intensification Zone.

However, this plan change was withdrawn.

There is also large plan-enabled potential for higher density apartment development across the City Centre. The 2021 Housing and Business Development Capacity Assessment found that although there is large plan enabled capacity within the City Centre, there is limited projected market take-up of this capacity due to market preference factors.

Kainga Ora may lead redevelopment schemes in areas where it has a large stock of housing.

Hamilton City has experience with Special Housing Areas. Through the SHA acceptance process, the Council sought to establish an affordability requirement. The Council's definition of affordability is that:

At least 10% of dwellings must be sold at or below 90% of the Hamilton average house value where 'average house value' means the average Hamilton City residential house value for the most recently released June figure published by Quotable Value.

Other affordability requirements are that the 10% of dwellings must be built on their own exclusive fee simple titled sections and be sold on the open market to a first home buyer.

Te Awa Lakes (Hamilton District Plan) Residential Zone Policy 4.2.13c sets out that 'The development provides affordable housing through the higher density and by specifying that a minimum percentage of new homes do not exceed a maximum purchase price'. This is consistent with an IZ approach. The associated rule is reproduced below:

4.8.8 Affordable Housing in Te Awa Lakes Medium-Density Residential Zone

- a) The total Development Yield specified in Rule 4.6.2 shall include affordable dwellings that meet the following requirements;
- i. At least 10% of the residential units of the total Development Yield of 892 (+/- 10%) shall be sold on the open market at a price that is no more than 90% of the average Hamilton City residential house value, as shown in the most recent June figures published by Quotable Value (www.qv.co.nz) at the date of sale and purchase agreement (to transfer the property to the buyer).
 - ii. The buyer must not, at the time of purchase, own a residential unit either solely or jointly with another person (including as a trustee of a trust).
 - iii. All Land Development Consent applications shall include details of the location, number and percentage of any affordable housing units or allotments and shall include details of the cumulative total of affordable residential unit sales to date to demonstrate that 10% of affordable residential units of the total Development Yield will be achieved.
 - iv. Where parent fee simple titled sections or 'superlots' for future duplex or apartment units are proposed, the unit yield and future subdivision opportunity for individual fee simple titled sections shall be identified for the purpose of identifying the affordable housing yield in accordance with ii and iii above.
 - v. A consent notice or other legal mechanism shall be placed on the computer freehold register for each affordable residential unit and/or fee simple titled section at the time of subdivision s224 (c) certification, requiring that the provision in 4.8.8 a) i. above is to be met for three years from the date of issue of title.
 - vi. Not less than 9 of the Land Development Plan Areas shall include a minimum 10% affordable housing component.

Any non-compliance with this rule shall be a Discretionary Activity.

6.4.2 Waikato PDP

Waikato is currently preparing a new district plan (the PDP).

Through submission and hearing processes considerable greenfields areas are being identified as possible expansion areas.

Analysis by the Council of zoning recommendations, show that there should be marginally enough housing supply ('reasonably expected to be realised') to meet the demand in the period 2021-2036, including allowance for a 20% margin¹⁶. However, there are unders and overs at the settlement level.

Under the PDP as notified there is currently only limited opportunity for higher density developments provided for by the planning provisions. Options for Medium Density Residential Zone development (beyond the smaller areas in Waikato 2070) are being considered during the PDP process.

In the residential zone, key parameters are:

- one dwelling per site;
- new lots must have a minimum site area of 450m²;
- multi-unit development requires consent and must have a density of not more than 1 unit per net site area of 300m²; and
- minor dwellings are possible on a 900m² site area.

A medium density housing zone would provide scope for residential building up to 11m above ground level, subject to a range of bulk and location controls, but no density control.

6.4.3 Waipā District Plan

Waipā has significant greenfields areas. The Waipā District Plan contains 'Deferred' zones which identify areas anticipated for future residential, large lot residential, commercial or industrial development which are not yet live. Until the 'Deferred' zone is uplifted, the underlying zone (i.e. Rural) continues to apply. The Council notes that under this approach, it is difficult to bring forward new areas for development in response to growth pressures.

The Council has notified Plan Change 13¹⁷ which seeks to 'live zone' some of these growth cells. They are:

- Cambridge – C4 and C6 with a combined area of 119ha;
- Te Awamutu – T1, T6-T10 with a combined area of 375ha.

There are also smaller growth areas as Ōhaupo and Ngahinapouri.

The decision on Plan Change 13 was notified on 9 September 2021 with the appeal period closing towards the end of October 2021.

Within Waipā District's urban areas, there are very limited options for higher density dwelling typologies. The 2021 HBA assessment found that these planning provisions have some impact on the affordability of dwellings within Waipā as they are focused on standalone dwellings on larger

¹⁶ SECTION 42A REPORT on submissions and further submissions on the Proposed Waikato District Plan Hearing 25: Framework report: Supplementary Evidence Report prepared by Dr Mark Davey Date: 28th April 2021

¹⁷<https://www.waipadc.govt.nz/repository/libraries/id:26zgz4o7s1cxbyk7hfo7/hierarchy/our-council/waipadistrictplan/variatiions/documents/plan-change-13/Map%20of%20Deferred%20Zones.pdf>

sites, which are concentrated into the mid to higher dwelling value bands. However, standalone dwellings on larger sites still form a large market preference for developers as they reflect strong patterns of demand within the market, including the exogenous retirement market demand.

6.4.4 National Policy Statement – Urban Development

The National Policy Statement on Urban Development (NPS-UD) came into effect on 20 August 2020, replacing the National Policy Statement on Urban Development Capacity 2016. District Plans will need to be updated to give effect to the Statement. The NPS-UD directs decision making under the Act to ensure that planning decisions enable development (including improved affordability) through providing sufficient development capacity for housing and business. Reference is made to enabling different housing types and prices. For example, Policy 1 refers to:

Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum: have or enable a variety of homes that: (i) meet the needs, in terms of type, price, and location, of different households;

The NPS-UD has an emphasis on ‘upzoning’ around centres and public transport (Policy 3), as well as being responsive to out of sequence development proposals, as means of achieving the policy (Policy 8).

Any affordable housing requirement will need to sit within a context where it can be shown that district plans give effect to the NPS-UD. If there are doubts about implementation of the policy statement, then this uncertainty is likely to be used as an argument to not pursue an affordability requirement.

Key Points

Current spatial strategies recognise the need for settlements to expand and to relate new housing to transport networks and jobs and services. The strategies could benefit from recognising that provision of affordable housing will require active measures.

At a high level, the three FPP district plans have objectives and policies relating to being responsive to growth pressures in general, while housing assessments show excess capacity relative to demand.

There are, perhaps, three areas where work is needed to adjust ‘supply’ policy settings:

- greater range of housing choices in greenfields areas. Fulfilment of NPS-UD objectives and policies would suggest the need for additional mechanisms beyond minimum densities or yields for new growth areas. There is growing recognition of the benefits of a mix of housing typologies in new growth areas.
- increased building heights in residential areas. While for Waipā and Waikato, the upzoning policies of the NPS-UD may not apply (e.g. Policy 3), increased height limits are nevertheless an important way of enabling infill and redevelopment of sites, for example 3 storey development. The medium density zone proposed for Waikato is an example of this.
- Hamilton will likely have to respond to the NPS-UD policies on intensification through investigation of some form of suburban apartment zone. This would complement the

'density' gradient between central city high rise apartments and suburban infill through duplex houses and the like.

7. Will additional supply work?

A lack of new housing supply in highly-priced areas is generally held to be the main cause of housing affordability problems. Increasing supply opportunities is therefore seen as the best method to address this issue.

As important as the overall level of supply, is the responsiveness of land and housing markets to increases in prices. In general, increases in prices should be a signal that additional supply should be provided. A criticism of planning is that it can slow the response of subdividers and developers to increased demand.

Having an adequate supply of land for housing (greenfields and brownfields) is important. Both upzoning and further outwards expansion (as promoted under the National Policy Statement for Urban Development) will help, but infrastructure costs are likely to limit what is possible in the short to medium-term.

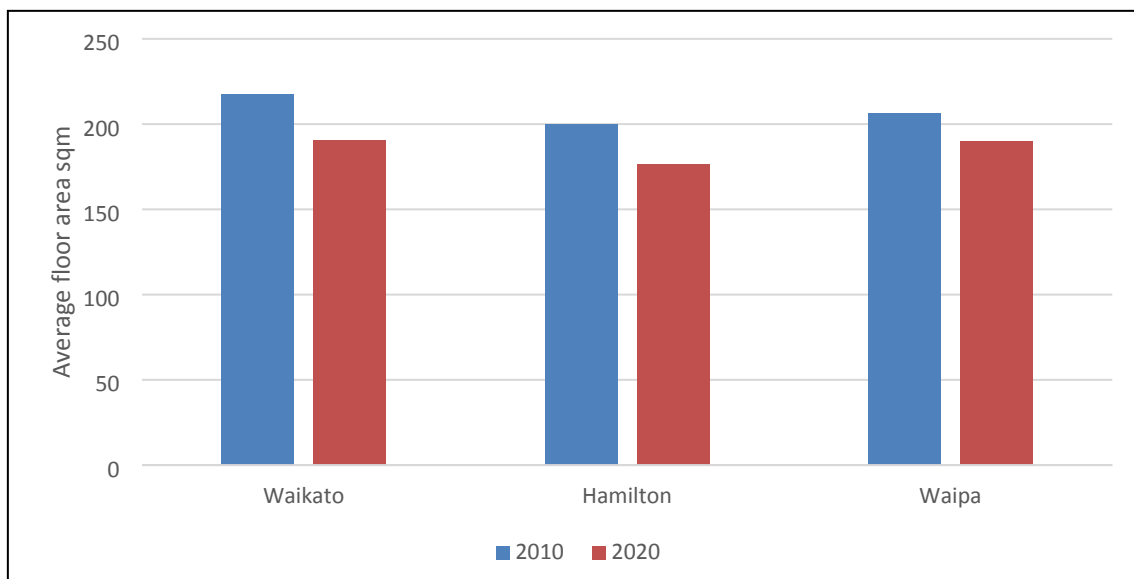
This section briefly reviews whether additional supply will lead to more affordable housing.

7.1 Market response

The expected market response to rising house prices (land and construction costs) is to reduce the size of the dwelling and the area of land on which it is located (the size of the lot).

Building permit data, see Figure 20, shows a decrease in the average floor area of stand alone dwellings between 2010 and 2020, as land and construction costs have risen.

Figure 20: Average floor area of new dwellings

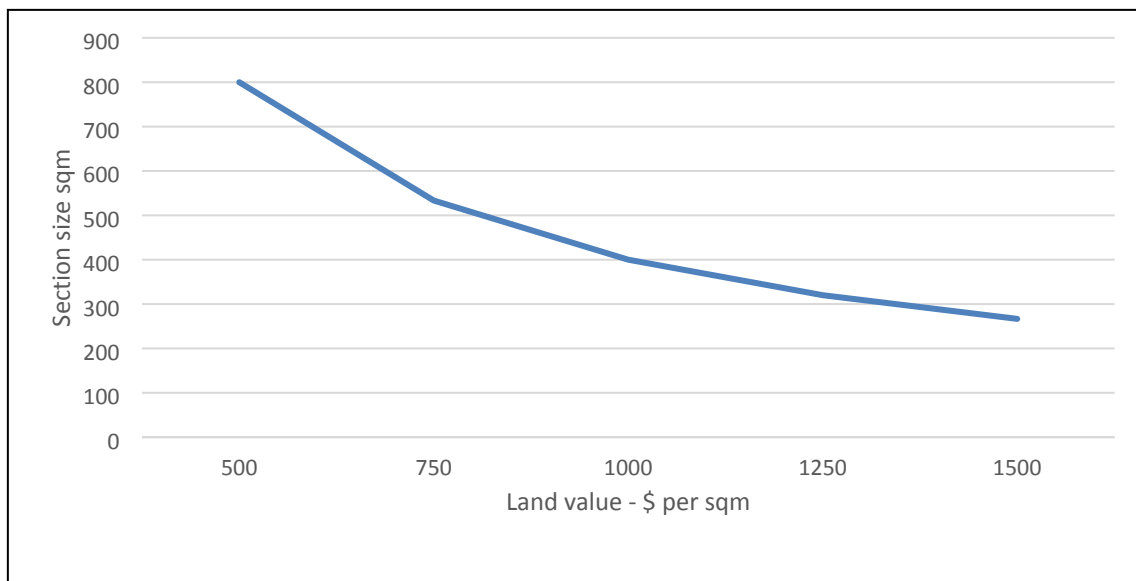


Source: Stats NZ building consent data

As land values rise and residential construction costs increase then the land area per dwelling also needs to reduce to ensure that the final product is at a price that is within the financial means of likely buyers.

Figure 21 shows this in a conceptual sense. In this case, it is assumed that a \$800,000 house value is made up of \$400,000 of improvements and \$400,000 of land value. At \$500 per square metre of land, a 800m² section is able to be provided. As land values rise, then to maintain the \$800,000 'price point', lot size steadily decreases.

Figure 21: Land value and lot size



Note that the reduction in lot sizes helps to maintain the \$800,000 price, it does not make the dwelling anymore 'affordable'.

This process means that lot sizes in greenfields subdivisions will gradually diminish, while density in brownfields areas will increase. It is important to overall housing supply that this dynamic is facilitated by zoning controls. In short, it is important that district plan minimum lot sizes and density controls anticipate gradual increases in density, rather than react to them.

New sectors of the housing market, such as 'build-to-rent' are also helpful in providing for greater choice, especially for renters looking for a long term tenancy, but they do not necessarily offer a more affordable product.

7.1.1 Further enabling supply responses

Several actions can assist in enabling supply of relatively affordable units in greenfields and brownfields; that is to make more effective use of land that is developed.

In greenfields areas, there is usually pressure to provide a fairly uniform housing product, often supported by covenants on building materials (and sometimes, floor area). While in the main metro

centres, there is a growing diversity of housing product in master planned communities due to demand for affordable product, however, in second tier cities, this pressure is less evident. Instead, questions of how to 'fit in' smaller dwellings in a way that maintains a consistent street character of stand alone houses on separate lots becomes more prevalent. To help overcome this, two techniques can be to:

- support duplex type house designs – houses that have the appearance from the street of being a single house, yet are two separate units. For example, Fletcher Residential have a 3 bedroom duplex design that they offer in Beachlands, which is on the edge of the Auckland Metropolitan Centre. This is an area that traditionally focused on stand alone houses on separate sites. Corner sites are particularly suitable for this typology.
- provide opportunities for mews type housing, for example separate units above garages served off a rear lane. Mews is a British name for a row or courtyard of stables and carriage houses with living quarters above them, built behind large city houses before motor vehicles replaced horses in the early twentieth century. It is now commonly used for city housing of a similar design.

For brownfields – the two to three storey walkup apartment building is cost effective as they do not require a lift, nor more expensive construction techniques. To facilitate this type of development, there is typically no density control, with bulk and location on a site governed by basic parameters of yards, coverage, height, and height in relation to boundary. They do require careful urban design to minimise interface issues with adjacent sites.

7.2 Limitations of a supply response

The extent to which a 'supply response' is effective in addressing affordability concerns is a matter of substantial debate. This is particularly relevant given the FPP housing capacity assessments which consistently show excess capacity versus demand, yet house prices continue to climb.

At a high level, assuming that demand for housing only comes from population growth, dramatically underestimates the impact of investment demand. As long as mortgage lending continues to outpace expansion of housing supply, prices will continue to rise. The website Interest.co.nz notes that from July 2020 to June 2021, total nominal annual GDP has been about \$331 billion, a rise of \$14 billion. During the same time, house values have risen to \$1.65 trillion, a rise over the same time period of \$420 billion. In that year, the rise in house values will have exceeded the rise in economic activity in the country by an 'eye-popping' 30 times¹⁸. This is at a time when national population growth has slowed as inward migration dropped off due to Covid 19. Moves by the government to dampen down investor demand may help to contain prices, but results look uncertain.

Some studies show that simply increasing the stock of housing may not be sufficient for reducing prices, as the corresponding demand also needs to be considered. In short, increased supply may just stimulate increased demand, meaning that the additional supply gets soaked up by new

¹⁸<https://www.interest.co.nz/news/111216/rise-past-year-total-value-our-housing-stock-has-been-unprecedented-streaking-40-times>

arrivals, and the total stock on a per capita basis does not increase¹⁹. For example, expansion of supply and temporary lowering of prices may attract buyers from the more expensive Auckland Region. While beneficial for those who may be otherwise locked out of the Auckland market, the additional supply will not necessarily benefit low to moderate income households in the Waikato area.

Many commentators note that new housing supply now focuses strongly on mid to high end housing, with few players in the affordability area. This contrasts to the 1960s and 1970s when 'affordable' group housing builders (for example Neil Housing and Keith Hay Homes) were more prevalent. The reasons for this shift are related to a reduction of State support for new builds, as well as the growing influence of land use controls on supply, which started to drive up the price of existing houses (which in turn has a strong influence on new build values). The 1960s and 70s also saw many 'easy' greenfield areas open up as the Government invested in large roading projects.

That the new build sector focuses on higher priced housing is not necessarily seen as a negative for affordability. Additional supply benefits for affordability are predicated on the concept of filtering. The majority of homes that are "affordable" to lower-income people are older 'second hand' homes. They are not new homes. Affordable homes have some characteristic, such as age and/or appearance that make their market prices relatively low. It is often held that filtering of housing stock down to affordable levels needs to be enabled through promoting the construction of new, higher end housing. Households moving into these new houses frees up their current house. This effect is often raised in relation to retirement villages, for example, with filtering driven largely by upper-income people who leave their aging homes for new units. But if housing construction is restricted, there won't be enough new homes constructed and some of those upper-income people will have to settle for older houses that might otherwise be occupied by people with less money.

Studies of filtering are limited. One American study²⁰ noted three important points:

- owner-occupied homes filter much more slowly than rentals: just 0.5 percent per year, compared to as much as 2.5 percent for rentals (though homes that begin as owner-occupied are often converted to renter-occupied as they age.)
- filtering does not happen evenly over time: it's much more dramatic over the first 40 years or so of a home's life.
- once a home hits the half-century mark, it's as likely to "filter up" (become occupied by wealthier people) as filter down.

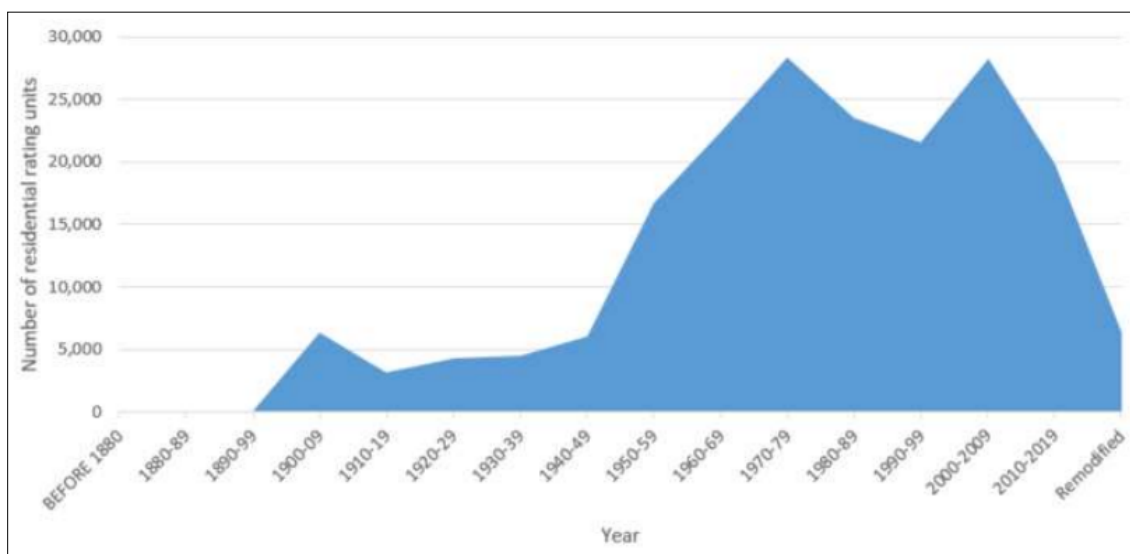
Approximately 54 per cent of housing stock in the Waikato Region was built after 1980²¹ and is unlikely to be subject to downward filtering. See Figure 22. The balance of the housing stock was built in the 1950s to 80s, suggesting a relatively large pool of second or third hand houses should be available.

¹⁹ Housing affordability: is new local supply the key? LSE Research Online URL for this paper: <http://eprints.lse.ac.uk/100016/>
Version: Accepted Version

²⁰ As reported by City Observatory: <https://cityobservatory.org/what-filtering-can-and-cant-do/>

²¹ Waikato Region Housing Initiative – 2018 Housing Stocktake

Figure 22: Age of Hamilton housing stock



Source: Waikato Region Housing Initiative – 2018 Housing Stocktake

An important question is whether filtering is sufficient to result in an affordable housing stock. Filtering does help. However, to the extent that housing is built relative to population growth and demand, filtering will be slower and take longer because new units are purchased by new residents, not just existing residents. Equally, there is a 'floor' to how low filtering can go as a response. Actions like the Healthy Homes programme seek to ensure minimum standards.

7.3 Will Inclusionary Zoning solve the housing crises?

Expecting an RMA-based affordable housing policy to have large impacts on the price of market housing is unrealistic. Inclusionary zoning will not solve the current housing crises. But it will help to provide more housing choices and more sustainable neighbourhoods by enabling a range of households to live in the same area. It is very much a long term strategy; it is not a 'quick fix'.

The number of affordable units produced is very dependent upon wider market conditions. Areas experiencing low levels of market rate development will likely not generate significant results from an IZ policy. Conversely, the Urban Land Institute note that in very strong development environments (substantial amounts of new construction and rehabilitation, steady rent and price growth, low vacancy rates) IZ policies can generate affordable housing units without subsidy or other development incentive from the local jurisdiction. In some moderately strong development environments, IZ policies can achieve their goals as well, provided the city or county contributes the optimal levels and combinations of development incentives.

In this context, IZ is as much a growth management tool as it is a housing policy tool. It is not intended to supplant either more supply of market rate housing, or direct provision of social housing

by the government. Rather its focus is on using urban land, at a rate and in a way that supports community wellbeing. Having affordable housing options incorporated into a range of developments across a city or district (rather than concentrated in one or two areas) helps achieve outcomes relating to land use and transport integration, lessens pressure for urban expansion, and supports compact development and well-functioning neighbourhoods.

7.4 Will IZ create more costs than benefits generated?

Arguments against IZ generally raise two points:

- an affordable housing requirement is likely to raise house prices as developers seek to off-set costs by increasing the price of market rate housing; and
- higher costs and potential for greater risks may see some housing developments put on hold or not proceed at all. Housing supply may slow.

At a conceptual level, faced with increased costs arising from an affordability requirement, developers may:

- hold off undertaking the development
- absorb costs, or otherwise try to reduce other costs
- compensate by increasing the costs of market rate development
- reduce their offers for development sites.

Table 9 sets out one simple example of the often posited effect on other house prices, as the affordability requirement increases in terms of the number of units and their discount relative to market rates.

Table 9: Impact of affordable housing requirement

| Affordability requirement | 5% | 10% | 15% |
|----------------------------------------------------------------|-----------|------------|------------|
| Number of affordable units in a 20 unit development | 1 | 2 | 3 |
| Market rate units sale price | \$800,000 | \$800,000 | \$800,000 |
| Affordable units sale price | \$500,000 | \$500,000 | \$500,000 |
| Total affordability 'discount' required (i.e. reduced revenue) | \$300,000 | \$600,000 | \$900,000 |
| Implied increase in market rate units to off set | \$15,789 | \$33,333 | \$52,941 |
| % increase of market rate units | 2.0% | 4.2% | 6.6% |

If house prices cannot be increased to compensate, then the developer must find some other way of absorbing a reduction in revenue.

A range of studies have attempted to quantify these effects. For example, an often quoted 2009²² study of IZ policies in America suggests that:

The analysis found that inclusionary zoning policies had measurable effects on housing markets in jurisdictions that adopt them; specifically, the price of single-family houses increases and the size of single-family houses decreases. The analysis also found that, although the cities with such programs did not experience a significant reduction in the rate of single-family housing starts, they did experience a marginally significant increase in multifamily housing starts. The magnitude of this shift varied with the stringency of the inclusionary requirements. Finally, the analysis found that the size of market-rate houses in cities that adopted inclusionary zoning increased more slowly than in cities without such programs. The results are fully consistent with economic theory and demonstrate that inclusionary zoning policies do not come without costs.

Other studies have suggested that the link between IZ and house prices is more tenuous. Much depends upon the extent of 'discount' (affordability) required as well as the quantum of units to be provided. Put simply, modest requirements have much less of an impact than more onerous requirements. A review of the research from across the ideological spectrum concluded that *"the most highly regarded empirical evidence suggests that inclusionary housing programs can produce affordable housing and do not lead to significant declines in overall housing production or to increases in market-rate prices."*²³

An important point is that since the local market for existing homes sets the price of new housing, developers are constrained from simply increasing the price of units developed for the market. The most likely route for costs to be 'off-set' is reduced land values. The 'cost' of affordable housing requirements is passed back to the seller of the development site with the developer retaining their full margin for profit and risk.

If IZ policies remain in place over a sustained period of time, land prices will likely adjust and the IZ requirements may be absorbed as a "cost of doing business" in the jurisdiction. As noted by Auckland research on IZ²⁴:

Inclusionary zoning may also have an indirect impact on block land prices. In the market's response to such a policy it is reasonable to assume that landowners may be willing to accept lower purchase offers due to the IZ requirements imposed on block land, all other factors held constant. In addition many interviewees suggested that the end result of inclusionary zoning would be an increase in the sales prices of the market-priced homes in order to compensate for the losses associated with the development's affordable homes.

22 Bento, Antonio & Lowe, Scott & Knaap, Gerrit-Jan & Chakraborty, Arnab. (2009). Housing Market Effects of Inclusionary Zoning.

23 Lisa Sturtevant, "Separating Fact from Fiction to Design Effective Inclusionary Housing Programs," Center for Housing Policy brief, National Housing Conference, Washington, DC, 2016, 1.

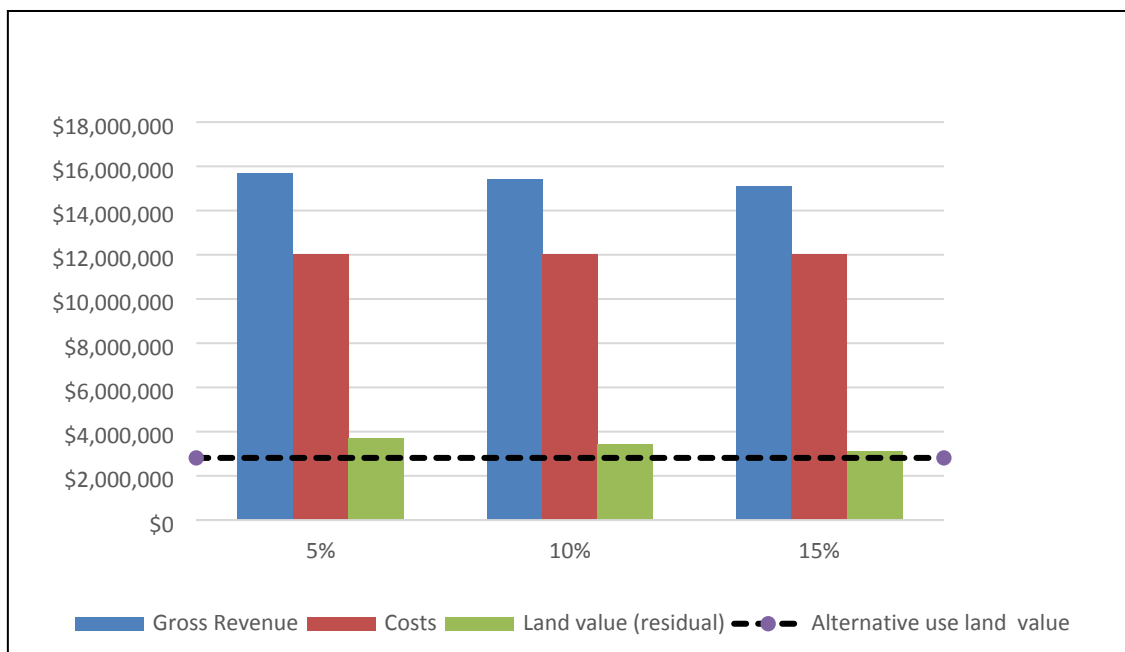
24 Inclusionary Zoning and Greenfield Residential Development: A Feasibility Study. Report prepared for Auckland Council June 2013. Professor Laurence Murphy, Dr Michael Rehm University of Auckland

This assumes, however, that inclusionary zoning requirements would not be “passed back” into the land price. It also assumes that market prices for new houses are largely set by developers. In fact, new house prices are strongly influenced by the secondary market consisting of existing homes for sale within a given submarket. Sales transactions of new houses tend to represent a small proportion (typically less than 25 per cent) of overall home sales across Auckland.

Having said that an affordable housing requirement will be reflected in land values, there is nevertheless a floor to how low land prices will go (or at least how much of future increases in value may get accounted for by new requirements). For example, if residential greenfield land values fall below land values associated with alternative land use activities such as industry or rural-residential, then landowners may not sell to residential developers.

Figure 23 provides a hypothetical case. Land value is derived from expected revenues less costs. As revenues drop due to larger affordability requirements, but costs and profit/risk allowances remain the same, then residual land value decreases (this is the amount a developer has to buy land). In the 5% option, residual land value (green bar) is above assumed alternative use value (dashed line), but a 15% requirement sees land values equal alternative uses.

Figure 23: Residual land value and alternative land use value



Where developer bids for land are equal to or are lower than alternative land use values, then it is possible that housing supply will slow.

7.5 What about alternative methods?

While the need for some sort of public intervention to support the provision of affordable housing is often accepted, there is always calls for that intervention to involve non RMA methods, such as

financial support, rather than regulatory actions. For example, Councils could facilitate affordable housing through rates rebates or discounting development contributions.

These types of methods are possible under the Local Government Act but require specific policy support in Long Term Plans and the like. Such policy approaches are potentially less effective than RMA-based methods. In particular:

- The methods lie outside the RMA planning process and require funds to be sourced from development to then invest in affordable housing. This lessens effectiveness compared to affordable housing requirements which become an input into developments.
- The methods lack that stability afforded by the 10 year life of district plans, being more subject to short term political cycles.
- Reductions in funding streams (such as reduced or waived development contributions) need to be compensated for by increases in other funding if Councils are to maintain investment in capital and operating expenditure on needed infrastructure to support housing supply.

Key Points

Continually increasing housing supply options is important but is unlikely to be sufficient by itself to generate a supply of affordable housing. In high growth areas with added pressures from investors, expansion of housing stock often lags demand.

Affordable houses are usually 'second hand' (previously owned) homes. Encouraging the 'filtering' of houses by enabling supply of new, up market housing – allowing home owners to move up the housing ladder, releasing lower priced housing – is a valid method of increasing the stock of affordable housing. However, the evidence is that the contribution of this dynamic is small in comparison to need.

Options to increase the supply of affordable homes include financing the Community Housing Sector, but councils are constrained in what financial aid they can provide.

Inclusionary zoning can be an efficient and effective method of seeing affordable housing provided in most new developments. However, care needs to be taken in the design of any affordability scheme to reduce the potential for adverse consequences to housing production. Overtime, affordable housing requirements are likely to be absorbed into land values. The 'cost' of affordable housing requirements is passed back to the seller of the development site, with the developer retaining their full margin for profit and risk.

8. Dimensions of Inclusionary Zoning

This section examines the various dimensions of inclusionary zoning.

Inclusionary zoning requires that a range of factors are considered. Schemes vary substantially around features that include:

- whether the policy is mandatory or voluntary;
- the contribution (set aside) amount - i.e. required share of affordable housing; often between 10 and 20 percent;
- definition of affordability and eligibility (such as by household income);
- term limits and retention;
- whether the scheme applies to the entire jurisdiction or to specific housing types or locations,
- opt-outs (in lieu payments or ability to provide units off-site); and
- incentives.

Community Housing Aotearoa’s discussion document on inclusionary zoning set out the following ‘policy’ choices (see Table 10).

Table 10: Policy Choices

Table 2: Design choices for affordable housing planning requirements

| <i>Coverage</i> | <i>Delivery form</i> | <i>Definition of affordable housing</i> | <i>Percentage set aside</i> | <i>Retention mechanism</i> | <i>Cost offsets / value uplift / incentives</i> |
|--------------------------------------------|---------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|
| Mandatory or voluntary | Home (of different sizes, and for rent, shared equity or ownership) | Relative to market prices, eg: <ul style="list-style-type: none"> • Lower quartile • Median price | 5%? 15%? Of total value or just value uplift? | Vest with not-for-profit to: <ul style="list-style-type: none"> • Retain home for rent | Planning incentives eg rezoning, density bonuses, reduced requirements |
| City-wide or select zones | Land | Relative to median incomes, eg affordable for households with 80-120% of median income to buy | Determined by: <ul style="list-style-type: none"> • Overall target • Share of market renter households | or <ul style="list-style-type: none"> • Recycle share of capital gain | Faster consenting |
| Minimum development size (eg 10 dwellings) | Financial contribution | Vested with public or not-for-profit organisations and reserved as subsidised rentals or shared ownership homes for low-middle income households | <ul style="list-style-type: none"> • Development feasibility Site-specific depending on existing tenures and objectives | Covenant No retention mechanism | Delayed development contributions, targeted rates, grants No cost offsets |
| | On-site or off site allowed | | | | |

Source: Community Housing Aotearoa

8.1 Purpose

Identifying the objective of any policy is an important starting point. For example, is the aim to meet the needs of certain income groups, geographic areas, or specific types of households (such as key workers)?

It is common for cities to target IZ policies to a particular need that is not met by the market or other forms of publicly supported housing.

Income targets aimed at households between 80 and 120 percent of the local median income are common, on the basis that these households may not qualify for other forms of public support (such as access to social housing and / or be eligible for the accommodation supplement). These 'middle income' households may also be formed by workers who are important to the functioning of the community but are in professions with national pay scales (like teachers, police and nurses). Households in these bands are also often described as being in the intermediate housing market – they have sufficient income to pay for rent, but struggle to accumulate a deposit. Affordable housing products aimed at this group will be below market rates, but not substantially so. The small discount (in comparison to fully subsidised housing) helps to moderate impacts on development feasibility.

Many cities face more acute housing needs at lower incomes, and some choose to design their programs to generate at least some units affordable to very low-income and extremely low-income residents (earning less than 50 or 30 percent of median income). Cities that want to create units for lower-income residents often allow developers to provide fewer units with greater affordability.

New Zealand housing policy has a particular emphasis on 'first home buyers', through for example First Home Loans, First Home Grants, and Kiwisaver withdrawals. A local example of eligibility criteria pitched at first home buyers is Hobsonville Point in Auckland (a Kainga Ora-led redevelopment). A component of the development is the Axis Series of homes. These homes are designed for people who earn an average Auckland wage but because of the housing market in the city, are unable to afford a home in the area. Axis series homes are in the \$550,000 to \$650,000 price range. Axis Series buyers must meet the following criteria:

- be New Zealand permanent residents or citizens;
- must be a first home buyer, or in the same financial position as a first home buyer as deemed by Housing New Zealand;
- cannot put the home in the name of a Family Trust, company or nominee;
- have proof of finance to complete a purchase of an Axis Series home; and
- must have a gross household income no higher than \$85,000 per annum for a single purchaser and no more than \$130,000 per annum, where there is more than one purchaser.

8.2 Mandatory versus voluntary

There are two main approaches to building affordable housing through the planning process.

The first is the mandatory model which requires that a number of affordable homes are included in developments as a condition of resource consent. The number of affordable homes developers are required to provide is determined by either negotiated agreements made between a developer and

planning authority during the planning assessment process, or fixed requirements specified as a proportion of housing or development value.

The second approach is the voluntary incentive model, where new affordable housing is encouraged by reducing costs for developers. Types of incentives include:

- modifying activity status for specific types of housing, for example encouraging low cost housing like boarding houses, student accommodation, and retirement villages in designated areas;
- bonus systems which relax specified development controls, typically height, density, setback or parking controls, in exchange for constructing dedicated affordable housing;
- planning process incentives where projects that include affordable housing attract special treatment in the planning process such as fast track approvals, or a reduction, exemption, or refund of application fees, infrastructure charges or rates.

In general, fixed, mandatory requirements provide more affordable units than negotiated, bonus-based approaches. Research by the Australian Housing and Urban Research Institute²⁵ looked at outcomes of voluntary schemes in New South Wales and mandatory schemes in South Australia. The report notes that:

A suite of voluntary provisions and incentives have been introduced in NSW since 2005, the most notable of which is a density bonus for infill affordable rental housing (introduced in 2009). Despite much greater population growth and housing affordability pressures than in South Australia, voluntary planning incentives have delivered a small proportion of affordable homes (between 0.5–1% of Sydney’s housing supply in 2009–17, approximately 1,300).

In contrast, the South Australian Government’s inclusionary planning requirement, introduced in 2005, requires that 15 per cent of all housing in significant residential developments (including urban renewal and greenfield contexts) should be affordable to low or moderate-income earners. Since inception to 2016, 2009 affordable homes have been built and a further 3,476 homes committed under the 15 per cent affordable housing requirement.

8.3 Targeted or broad brush?

Some inclusionary housing programs apply the same requirements uniformly across an entire district, some programmes apply requirements only to targeted neighbourhoods (new or existing) expected to experience significant growth, and others vary requirements by neighbourhood.

Geographically targeted programs may be more complex to design and administer. They may also see development pressures switch away from the area targeted to areas where the requirement is not in place. This will mean fewer affordable housing lots or units. For example, if only Hamilton City introduced a requirement in its greenfields areas, development pressures may shift to Te Awamutu or Cambridge. However, broad brush approaches may have particular adverse effects on certain types of development. For example, brownfields redevelopment that is beneficial for

²⁵https://www.ahuri.edu.au/_data/assets/pdf_file/0021/17274/PES-006-Planning-mechanisms-to-deliver-affordable-homes.pdf

compact city strategies may be more affected than greenfields, in terms of impact on viability of development.

One way to address varying circumstances is to roll out an affordable housing requirement as part of new zonings and upzonings. In South Australia, a 15 per cent target has been progressively introduced through local plan amendments and on major development sites when areas are rezoned for residential or higher density homes. State policy and local planning laws provide a framework for both a mandatory inclusionary zoning model to secure affordable housing in major new development and renewal contexts, as well as planning incentives and concessions to encourage affordable homes in contexts where it is not compulsory.

As well as geographic issues, it may be appropriate to exempt certain forms of residential developments, for example:

- smaller apartments and apartments in central areas due to these apartments often being smaller and more affordable;
- rural-residential development is a form of housing development, but not one associated with affordable housing; and
- retirement villages, lodged and boarding houses.

8.4 Requirement (set aside)

The set aside is the number or percentage of lots or units that need to be affordable.

Under some IZ programmes, all eligible residential developments above a trigger level are required to provide the same fixed percentage of the total units as affordable units. In other cases, the requirement is determined on a case-by-case basis.

US evidence is that 'fixed' contributions ranging from 10% up to 20% of dwellings being affordable have been proven to be acceptable in many jurisdictions²⁶. In the UK, in major metropolitan centres, affordable housing requirements can extend to 30% to 50% of dwelling units, but each case is negotiated.

Setting the contribution rate involves consideration of the objective of the policy, modelling of the financial feasibility of different types of developments, consideration of demand for affordable dwellings as well as issues of practicality.

In principle, any affordable housing requirement should be based on a prescribed and fixed "below-market" price or rent. A "below-market" price or rent is one that is likely to be substantially below the lowest market price or rent for the equivalent new unit.

For example, Quotable Value NZ data suggests that median house prices for the Waikato Region are in the order of \$800,000. Typically, inclusionary zoning aims to provide housing that is affordable to households on 80% to 120% of area median household incomes. These units have to be sold or rented to qualifying households; that is households that meet income and asset criteria.

²⁶ Inclusionary Housing Program Design Worksheet. Sourced from <https://inclusionaryhousing.org/>

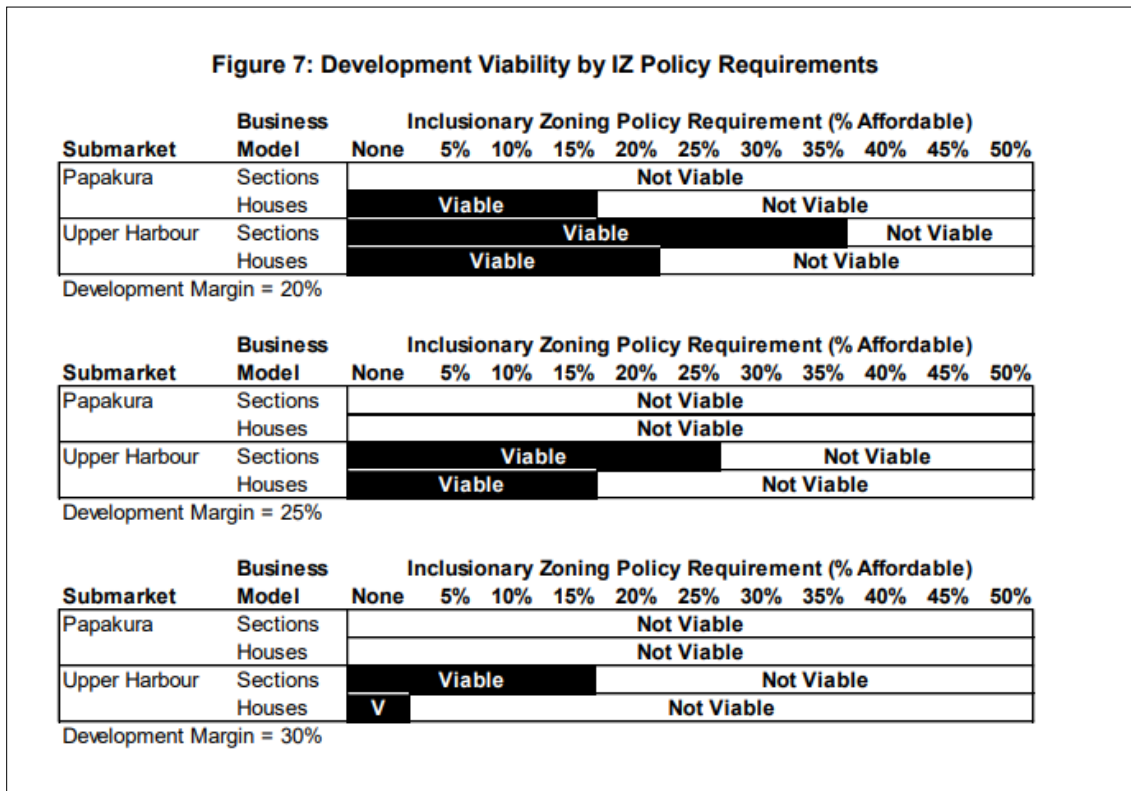
In the case of Hamilton City with an estimated median household income of around \$90,000 an affordable home may need to be sold at between \$500,000 to \$550,000 to be affordable to a household on 100% of the median income. At this price, assuming 20% deposit, then approximately 35% of the households gross income is required to cover mortgage repayments. This sale value represents a considerable discount to median prices. If affordability is tightly defined (i.e. 80% of median incomes) then the 'subsidy' involved is greater than if affordability is defined as being closer to median incomes.

It is important to understand that in most IZ schemes, the affordable unit is still sold by a developer, albeit at a below market rate. The house may be sold to a Community Housing Provider or brought by a household that meets income criteria.

Based on the 'income' objective, feasibility testing is then needed to determine what quantum of housing at the set affordable price is appropriate. That is, at what point does a requirement likely make development infeasible, given a range of assumptions about land values, construction costs and sale values. Feasibility testing follows an established methodology which considers the residual value of land, once all costs and revenues have been taken into account. Sensitivity testing of inputs is important.

Below is an extract from a 2013 report on IZ and Greenfields development in Auckland. Two different case study areas were selected – Upper Harbour (a high value area) and Papakura (an area of more modest values). Three different developer margins were tested. Results varied between the different areas and expected developer margins.

Figure 24: Example feasibility testing



Source: Auckland Council

The alternative to a ‘discounted’ affordable housing product being sold, is for land and/or units being transferred to the Council at no cost. This approach has been used in Queenstown. Setting a contribution on a straight transfer of land or units needs to recognise that this form of requirement is potentially much larger than the discounted sale approach, and as such generates fewer affordable housing units. For example, transfer of a \$350,000 serviced section to Council at no cost is equal to the sale of three lots at an affordable price of (roughly) \$230,000 each.

8.5 Land or units versus fees in lieu

Traditional inclusionary zoning programs are designed around the assumption that units will be provided on-site, based on a set rate (e.g. 10%). It’s a challenge to design requirements that work equally well for every potential development scenario, so programmes can offer developers alternative ways to satisfy the affordable housing requirements. The most common alternative is to pay a fee in lieu of on-site production. Other alternatives include building units off-site, or buying existing housing stock and then on selling these at a reduced price.

A key factor that often shapes those decisions is whether a Council wants to encourage on-site performance or collect the revenue to leverage other sources of funding to build affordable units offsite. For example, in Queenstown, the Council is keen to support the work of the Community Housing Trust. It is considering an affordable housing requirement that is built on a financial contribution that will be passed to the Trust so that the Trust can finance the construction of affordable units, using the revenue generated as well as other sources of funding.

In-lieu fees are likely to be the most effective approach for seeking contributions from small scale infill type developments. Site-by-site redevelopment of existing residential sites is a common occurrence in Hamilton, and likely to be more significant in Waipā and Waikato as these areas develop. The small-scale of such development (often where one house may be removed and replaced with 3 to 6 units) means that such development is likely to sit below relevant thresholds (such as a 10% requirement only taking effect with developments of 10 units or more). In this case, the only option is a monetary contribution.

In-lieu fees may be set by the plan, or require development specific calculation. If in-lieu fees are far below the cost of actual construction and/or are only sporadically received, then this is likely to result in low numbers of affordable housing units being produced. Equally, setting a ‘generous’ fee may see revenues collected exceed the capacity of affordable housing providers to deliver product (given that they may need to buy land, undertake development, gain consent etc). If revenues are not expended, then questions may be raised as to the efficacy of the financial contribution.

Lincoln Land Institute²⁷ note that under the right circumstances, off-site production with in-lieu fees can result in more affordable homes than on-site production, but increased production is not automatic. Effective use of fees relies on the presence of a number of key resources, which are not necessarily available in every community. These include the availability of other locally controlled financing sources to leverage inclusionary housing funds, the capacity of public agency staff, the availability of local non-profit housing providers with affordable housing development experience, and the availability of land for development of affordable housing. Even when all these elements

²⁷ Inclusionary Housing. Creating and Maintaining Equitable Communities

are present, successful off-site strategies require careful attention to where units are located if a program aims to achieve some level of community integration.

8.6 Incentives

Incentives are often called for as a way to help 'off-set' the costs of the affordable housing requirement on development. Incentives may be in the form of density bonuses, faster processes or waiver of other fees like development contributions.

For example, the 2008 Affordable Housing: Enabling Territorial Authorities Act listed the following in Section 10:

An affordable housing policy must state what the territorial authority may do to help a person to facilitate the provision of affordable housing, if the person is doing a development to which the policy applies.

Without limiting what the policy may state, things that the policy may state that the territorial authority may do include—

excusing the person from paying some or all of the person's development contribution under its policy on development contributions:

giving the person a density bonus:

giving the person financial assistance under an applicable funding or financial policy:

giving the person rates remission under its rates remission policy:

giving the person rates postponement under its rates postponement policy.

While on the surface bonuses provide a helpful means of enabling affordable housing, incentives generally come at a cost to some party. If inclusionary housing requirements are modest enough to be absorbed by land prices, then any incentive moves the cost from landowners back onto the public. Incentives such as waivers of development contributions reduce revenues available to Councils to build and maintain necessary infrastructure. Even planning incentives such as density bonuses, which appear free, result in increased pressure on infrastructure and other private and public costs.

When communities base inclusionary requirements on detailed feasibility studies, it becomes clear if incentives are needed to play a role in implementing an inclusionary housing program. If the goal of an inclusionary requirement is to enable developers to earn "normal" profits while capturing some share of "excess profits" for public benefit, any incentive a city can offer to make development more profitable enables the imposition of an inclusionary requirement higher than would otherwise be feasible. However, communities have to carefully weigh the costs and benefits of each incentive and evaluate them relative to the cost of meeting specific affordable housing requirements.

8.7 Greenfields versus brownfields

Brownfield residential development processes differ from greenfield development in terms of site/development conditions, product types (terraced housing, high rise apartments), as well as the RMA frameworks that apply.

In greenfields developments, development costs and revenues can be reasonably anticipated by an experienced developer. Residual land valuation techniques can be applied to determine development feasibility. Affordability requirements can be factored into these assessments and adjustments made to densities and dwelling designs, along with asking prices for development land. The shift from rural to urban zoning often entails a substantial lift in land values. Even where a residential zoning is in place, raw block land values are significantly less than serviced lots, in part recognising the subdivider's investment in civil works, but also the connections to publicly funded network infrastructure (such as arterial roads and waste water trunk services). Developments can be staged to match market demand.

Brownfield residential development poses a different set of development competencies compared to greenfield development. In contrast to the standalone single house that dominates greenfield developments in New Zealand, brownfield developments consist of terraced townhouses and medium to high-rise apartments. Funding and financing of these types of developments is different and involves more developer risks, with less ability to stage developments. The value of development sites is set by the wider market (e.g. home buyers wishing to purchase a house as well as developers looking for a development site). There is usually less ability to 'compensate' for an affordability requirement through adding additional units to a development as height and density controls tend to be more ridged than in large greenfields developments. As a result, key metrics are the impact of any requirement on profit and risk profiles.

In short, viability risks can make affordable housing development on brownfield sites even more financially and economically challenging. Yet brownfields development often involves the loss of affordable houses as older housing stock is redeveloped for new, more expensive houses.

The complexities of brownfields developments can often lead to a voluntary, bonus or incentive-based approach to affordable housing. But as discussed above, bonus based approaches do not sit well with the RMA. Equally, many schemes in the US involve tax breaks or similar.

Other approaches to brownfields development can be:

- exclusion of one or two lot/unit developments;
- reduced rates of any requirement (set aside) compared to greenfields; and
- introduction of affordable housing requirements may be tied to rezoning proposals (from low rise to high rise, for example).

The City of Sydney operates an affordable housing policy that applies to defined brownfields areas in the city, including Green Square and Southern Employment lands²⁸. These are areas that are identified for urban redevelopment. The City's policy requires the following affordable housing contribution:

²⁸ City of Sydney Affordable Housing Program Adopted 24 August 2020.

- 1 per cent of the total floor area that is to be used for non-residential uses, and
- 3 per cent of the total floor area that is to be used for residential uses.

The contribution may be satisfied by dedication of dwellings or by making an equivalent monetary contribution to the Council.

Four elements are seen to be critical to the success of this policy: it is easy to understand, mandatory, has broad coverage and involves low transaction costs.

8.8 Retention

If inclusionary programs are to create and preserve mixed-income communities, long-term restrictions on resale of affordable units are vital for a program to have a lasting benefit. If affordable homes lapse out of a policy and return to market values after a few decades, the program will not increase the stock of affordable housing. Maintaining affordability for future generations and avoiding windfall benefits for first occupiers are important factors.

As an example, the Axis Series of homes at Hobsonville Point have a minimum two year retention requirement. This is very short.

In the US-based IZ programs, inclusionary ownership units are controlled almost universally through restrictive covenants registered on the title of the property. The covenants bind the initial as well as all subsequent owners to the various affordability restrictions over a prescribed period of control.

Some early schemes had a ‘control period’ of 30 years. After this time period had expired, then the retention mechanism was lifted. This results in the loss of the investment in affordable housing. More recently, retention in perpetuity is common, as otherwise the stock of affordable dwellings can decrease if the additions into the affordability housing ‘pool’ are fewer than the number of affordable units leaving the pool as their control period expires.

Through the covenants, the initial price reduction is locked in and passed on to the subsequent buyers, allowing for some suitable inflationary adjustment. This means that the owners of the unit do face limited capital gains.

In some places, this primary legal instrument is also supplemented by an “option to purchase”. This option allows the Council (or perhaps Housing Trust) to buy the affordable units whenever offered for resale. They typically exercise this right, not by buying the unit, but by assigning the option either to a non-profit agency or to an eligible buyer on their waiting list.

Some US commentaries on deed restrictions note that unless the retention mechanisms are supported by State legislation, then there may be legal challenges that see the restrictions on title deeds at risk of judicial invalidation.

Retention mechanisms based on some form of covenant on a title would be a new feature in the New Zealand housing market and may see some resistance from banks (for example when lending), or future buyers unsure as to the implications of the mechanism. For example, the retention mechanism narrows the pool of potential buyers and limits capital appreciation. Retention mechanisms will require the Council to monitor sales and purchase agreements.

The 2008 Affordable Housing Act provided for methods of retention as follows:

- the person doing the development must sell or rent the housing to a person who meets the criteria specified in the provisions of the policy that reflect section 13
- the person to whom the housing is allocated must offer it first to the territorial authority or a council-controlled organisation, a council organisation, or a trust if the person decides to sell it
- the territorial authority or a council-controlled organisation, a council organisation, or a trust that buys the housing must sell it to a person who meets the criteria specified in the provisions of the policy that reflect section 13
- the territorial authority or a council-controlled organisation, a council organisation, or a trust must own the housing subject to an occupation right agreement with the person to whom the housing is allocated
- the territorial authority or a council-controlled organisation, a council organisation, or a trust must own the housing jointly with the person to whom the housing is allocated.

Transfer of the lot, unit or cash to a community housing provider (via a Council) is likely to be a preferred method for some Councils. This may include a land trust model, where the dwelling is owned by the household, but the land held in a trust. Such third party arrangements may reduce Council's monitoring responsibilities but may give rise to questions over the financial stability of such Trusts. There would need to be some sort of oversight of Community Housing Providers.

In Queenstown Lakes District, transfer of land to the Community Housing Trust does involve on-going retention due to the term of the Relationship Agreement that the Trust has with Council. This agreement effectively means that the Council stands behind the Trust, with the Trust's rights and responsibilities falling back to the Council, should the Trust encounter financial difficulties.

The City of Sydney policy requires that the contribution may be satisfied by dedication of dwellings free of cost to the Council or by making an equivalent monetary contribution. Ownership of the units and funds collected may transfer to an eligible Community Housing Provider, who in turn must meet certain criteria relating to retention of the units provided.

8.9 Monitoring

Affordable housing requirements require implementation through consent processes and monitoring of resulting conditions. The outcomes of an inclusionary housing policy are strongly influenced by the capacity and skills of relevant Council staff. Staff must have the specialised skills to engage successfully with often complex housing development projects. Once affordable lots or units are provided, monitoring of rental and ownership units require dedicated staffing to ensure that units remain affordable and that the program is meeting its stated goals. Councils need to budget for this ongoing expense.

Key Points

A range of matters need to be addressed when developing an affordable housing policy. Choices cover:

- Purpose – what is the objective of the requirement (e.g. help with growth management, create more stable neighbourhoods)?

- Definition of affordability – what households are targeted (e.g. those on 80 to 120% of area median incomes)?
- Mandatory versus voluntary – set requirement or a negotiated outcome (e.g. all residential development of more than 10 units)?
- Requirement or ‘set aside’ – percentage of development to be affordable (e.g. 10% of lots or houses)?
- Incentives – are there any bonuses, such as faster processing, extra height or density?
- Retention – what mechanisms are used to protect long term, the benefit created (e.g. ownership of units by a Community Housing Provider, and/or some form of control on resale such as deed restrictions)?
- Monitoring – who will administer the scheme, particularly the retention requirements?

Four elements seen to be critical to the success of any policy are: the policy is easy to understand, is mandatory, has broad coverage and involves low transaction costs.

9. RMA and Inclusionary Zoning

Any affordable housing requirement incorporated into a district plan will need to fit within the terms of the RMA.

Commonly raised issues with the RMA and affordable housing cover:

- is an affordable housing requirement within the terms of section 31 (functions of councils)?
- will a requirement meet the tests of section 72 and 74, in particular reference to Part 2 in 74 (1) (b) and the requirement to give effect to national policy?
- section 76 requirements around rules, including 76 (3)'s requirement to have regard to the actual or potential effect on the environment of activities including, in particular, any adverse effect.
- will it meet the tests of section 32?

An NZ-based affordable housing scheme has not yet been fully tested through the RMA process. Queenstown High Court cases have addressed matters of legality – is an affordable housing requirement in scope of the RMA – but not a substantive assessment of any requirement. Experience with Special Housing Areas has seen affordability requirements applied outside of the RMA. Furthermore, schemes that apply in other countries generally operate under specific national or state law that mandates such schemes, and/or where planning legislation has a stronger foundation on social and community well being, not just environmental management.

9.1 Council's functions

Council's function under section 31 of the RMA are wide ranging. They include integrated management, as well as policies and methods to ensure that there is sufficient development capacity in respect of housing and business land to meet the expected demands of the district (Section 31(aa)).

The relevance of section 31(1)(aa) to affordable housing has not been tested. While the clause refers to capacity for housing, rather than actual delivery of housing, there is an argument that to achieve integrated management of urban land and resources, targeted methods to ensure delivery of appropriately priced housing are needed to make effective and efficient use of the capacity that is provided.

9.2 National direction

Reference to Part 2 of the Act in section 74 brings into play section 5 and its reference to the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety. Affordable housing requirements are a method that influences how urban land is utilised.

Under section 74, district plans must give effect to National Policy Statements. Objective 1 of the NPS-UD states that New Zealand is to have well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.

The NPS-UD refers in Policy 1 to well-functioning urban environments that, as a minimum, have or enable a variety of homes that meet the needs, in terms of type, price, and location, of different households.

Policy 1 directly refers to a variety of homes in terms of prices, rather than just capacity. Furthermore, Clause 3.23 of the NPS-UD requires analysis of how the relevant local authority's planning decisions and provision of infrastructure affects the affordability and competitiveness of the local housing market. The analysis must include an assessment of how well the current and likely future demands for housing by Māori and different groups in the community (such as older people, renters, homeowners, low-income households, visitors, and seasonal workers) are met, including the demand for different types and forms of housing (such as for lower-cost housing, papakāinga, and seasonal worker or student accommodation).

These policies do not expand upon what actions should be taken where there is clear evidence of unaffordability. Clause 3.11 of the NPS-UD does reference that when making plans, or when changing plans in ways that affect the development of urban environments, council's must use evidence about land and development markets to assess the impact of different regulatory and non-regulatory options for urban development and their contribution to achieving well-functioning urban environments.

Objective 2 of the NPS-UD requires that planning decisions improve housing affordability by supporting competitive land and development markets. This objective does not constrain affordable housing policies to those solely focused on competitive markets. However, if there was evidence that competition was being unduly limited, then this objective may be used to block any affordable housing requirement being imposed until barriers to competition had been reduced.

9.3 Effects management

Section 76's reference to rules needing to be related to adverse effects of development is often raised as a barrier to affordable housing requirements, in that there are no adverse effects on housing affordability from the development of new housing. It is contended that subdividing residential land or building a house adds to supply and is therefore a positive effect, not an adverse effect. This is a narrow interpretation. A wider view is that by managing the environmental effects of residential development (effects on landscapes, soils, amenity, waterways etc), there is inevitably a constraint on development options that is reflected in land values. Moreover, residential zoning carries with it substantial public investment in network infrastructure (arterial roads, wastewater, water) to service the growth, which is also incorporated into land values. In turn, the resulting higher land values can disable certain sectors of the community from accessing affordable housing. This type of argument is strong in places like Queenstown where landscape values are very high and constraints on urban growth very obvious. Waikato has urban expansion options that can avoid significant natural environmental constraints. Nevertheless, there is an argument that making effective use of land (greenfields and brownfields) that is to be developed – that is by including a range of housing types and prices – assists in better managing growth pressures in the long term and makes more effective use of investment in infrastructure.

One option to address the ‘effects’ issue is to link affordable housing to business growth. New businesses coming into the district generate jobs, which in turn attracts workers to shift into the area. This creates demands on the housing resource. This type of approach is called “Linkage Zoning”. Effectively new businesses pay a levy that goes towards affordable housing. As with inclusionary zoning, the justification for linkage zoning is strongest when there are clear environmental constraints to expansion of the housing stock meaning that those households on median incomes are likely to face restricted choices.

9.4 Section 32

Section 32 sets out a range of matters that would need to be addressed in any affordable housing provision. These typically cover:

- potential for other tools like development contributions or targeted rates to raise funds for affordable housing provision;
- cost/benefit analysis of the impacts on the wider economy. Analysis for Queenstown identified labour cost savings from reduced turnover of staff as being a significant benefit of an affordable housing scheme. Costs were identified as a potential rise in the price of market rate housing to off-set the financial costs of the affordable housing. Benefits still outweighed these costs over a 30 year time frame;
- feasibility testing of different forms of development and different requirement levels. Testing in Queenstown and Auckland has highlighted that modest levels of requirement – 5% to 10% on greenfields subdivisions see feasibility retained. Brownfields redevelopment is much more sensitive to additional requirements.

Key Points

IZ raises a range of issues associated with whether it is an appropriate tool under the Resource Management Act (RMA) and how any provision may be implemented.

Typical challenges are that affordable housing is not a matter that is within the scope of the RMA (being a social rather than environmental management issue); any requirement does not arise from the management of adverse effects of development; while excessive affordability requirements may slow housing supply and push up the price of market rate housing to compensate.

These criticisms can be addressed through careful design of an affordable housing requirement.

10. Developing an Inclusionary Zoning Policy for FPP

This section of the report outlines the options for an inclusionary zoning approach that would fit the local context.

10.1 Relevant features

Community Housing Aotearoa's discussion document on inclusionary zoning notes that there is some agreement in the literature that in order to be effective, inclusionary zoning requirements should:

- be mandatory across the geography of the housing market, not voluntary or selective
- define affordability with reference to the incomes of target households and informed by evidence about the local housing market
- use feasibility modelling to test the impact on different developments of required affordability percentages required and other features
- allow a range of delivery forms (e.g. land, houses or financial contribution)
- require retention through a range of mechanisms, (such as covenants, retention of rental stock, recycling of capital gain in shared equity arrangements)
- be accompanied by cost off-setting measures such as faster consenting, delayed payment of development contributions, and/or planning concessions
- provide a significant role for the not-for profit sector in designing and managing the affordable homes with a range of tenure options
- be carefully enforced and monitored by the council
- be formalised in legal frameworks (e.g. district plans, legislation) that demonstrate long term commitment.

In considering options to take forward an affordable housing requirement, salient features of the local FPP Waikato context are:

- three Councils with different district plan formats and at different stages of preparation and review
- mix of urban, satellite, township and rural development
- increasing emphasis on infill and redevelopment, but mostly small scale
- substantial demand for greenfields, some of which is likely to be outside Future Proof 2017 growth areas (such as Ohinewai)
- relatively recent housing stock
- variable household income profiles (medians)
- preference for policy to support Lands Trust as the delivery mechanism in Hamilton, possible preference for private sales in Waipā, subject to retention mechanisms.

10.2 Developing an affordable housing policy

The following discusses key choices in developing an inclusionary zoning policy appropriate to the Waikato FPP context.

| Dimension | Discussion |
|---------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Purpose (which needs to be tied back to the RMA) | <p>The purpose (objective) needs to be determined.</p> <p>There is a strong community well-being theme to concerns about affordability in the FPP area. Supporting labour force/economic growth or environmental management seem less relevant rationales in the case of FPP.</p> <p>Having said that, supporting mixed communities will help implement wider growth management outcomes associated with 'balanced growth' across the FPP area, as well as making effective use of land that is released for urban development.</p> <p>This is a matter that will require further discussion and ideally would be an outcome that is identified in relevant strategic plans for the FPP area.</p> |
| Affordability definition | <p>Target households on 80 to 120% of area median income. This generally relates to the intermediate housing market – households with income sufficient to rent, but not to sustain home ownership.</p> <p>Target is those households most likely to have choices 'disabled' due to operation of land and housing markets.</p> <p>Base 80 to 120% range on Hamilton City median income level, rather than Waipā or Waikato. Hamilton reflects a more urban focus, and has a lower median income.</p> |
| Mandatory v voluntary | <p>Voluntary schemes generally produce few units or little income compared to mandatory schemes. Voluntary schemes require some form of incentive or bonus (which may be process-driven, such as non-notification, or in the form of additional development), yet bonuses are hard to justify under the RMA.</p> <p>If to be pursued, a mandatory scheme is recommended, but with the ability for remission through development specific assessment (that is, in RMA terms a standard and associated assessment matters when the standard is sought to be modified).</p> |
| Fixed standard versus negotiation | <p>A 'fixed' standard is more compatible with RMA plans than a discretionary negotiated case-by-case assessment. A fixed standard allows subdividers and developers to incorporate the requirement into feasibility assessments prior to undertaking development. A fixed</p> |

requirement is also more likely to be passed back into land values. Case-by-case assessments involve a degree of uncertainty over impact on feasibility and therefore may deter some development from occurring.

Type of growth

Focus on residential development, including mixed use multi storey i.e. residential above retail/office, but not business or commercial component. While residential development does not create an adverse effect on affordability in and of itself, it is more effective and efficient to target the residential sector rather than business sector. In this way, affordable homes will be located in a range of residential areas (inner city, suburban, greenfields), helping to meet a mixed communities objective.

Exclusions will need to be identified. For example, Papakainga housing may be exempt due to the inherent social objective of such housing, as well as multiple land ownership issues. Other examples would be development led by Kainga Ora.

Location of growth (greenfields and/or brownfields)

The focus should be on urban development within indicative urban limits of the Future Proof area, and other unanticipated rezonings of an urban form / density. In these areas, there is an expectation that urban-level subdivision will occur at some point, supported by public investment in infrastructure. As a result of this, land values will recognise the certainty provided by zoning and public investment.

Options could involve an initial focus on greenfields growth. This does not mean that greenfields is the best place for affordable housing; rather it is a recognition that greenfields growth often focuses on mid to high end housing, and does not provide sufficient housing choices to match needs. A brownfields requirement could be introduced later. Alternatively, the brownfields component could be applied to areas that are likely to see significant redevelopment.

Size/quantum of requirement

Will need feasibility testing to determine the level of requirement. Modest contribution rates of 10% to 15% of lots/units at an affordable price are common in many planning schemes when a mandatory requirement is applied 'across the board' on greenfields developments. These schemes involve sale of lots or houses at an affordable price, i.e. sale at a discount to market rates.

If the intention is that the requirement be in the form of transfer of land and / or units at no cost to the council / housing trust, then the rate of requirement will need to be much smaller. For example, a 10 lot subdivision may sell lots at \$300,000 each. An affordable housing requirement may require one lot to be sold to an eligible buyer at \$200,000, or \$100,000 less than market price. If the intention was to transfer land at an equivalent rate of contribution, then the subdivision would need to be at least 30 lots so one lot can be transferred at no cost.

| | |
|------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Alternatively, a monetary contribution equal to 3.3% of the value of the lots would need to be made. |
| Nature of requirement | <p>Larger developments, e.g. subdivisions, multi-unit developments of more than 20 lots/units – preference for lots/units to be provided on site to ensure some mixing across neighbourhoods, but with option for cash in lieu.</p> <p>Smaller developments – monetary contribution.</p> |
| Retention | <p>In the first instance, require transfer of any land to Council approved provider (such as the Land Trust) on a first right of refusal basis.</p> <p>Covenants or other restrictions on ownership registered on titles are not a common feature in New Zealand and likely to raise a range of risks from lenders and potential future buyers. Overtime, they are likely to gain acceptance. A pro forma Covenant may need to be prepared to help allay fears as to the scope of such controls.</p> |

10.3 Possible options

Taking forward an affordable housing policy could involve a number of routes, from a ‘soft launch’ to a combined, mandatory scheme across all three Councils covering all forms of residential growth (greenfields and brownfields).

The options are:

Policy Support

Objectives and policies would be inserted into each district plan supporting the provision of affordable housing as part of re zoning proposals and resource consent applications. The provision of affordable housing (as to be defined) would be identified as a desired positive effect which could be used to off-set some negative effects (such as increased density). The objectives and policies may also come into play when considering private plan change requests. Retention mechanisms would need to be specified, and could include transfer of land to the Council.

The benefit of the option would be that the concept of affordable housing contributions would be incorporated into the district plans, allowing for the concept to become part of the RMA ‘landscape’. However methods to implement the policy would not be prescribed, with the opportunity to take up the objective and policy support dependent upon subdividers and developers.

Greenfields first

This option would introduce a mandatory affordable housing requirement on new greenfields residential subdivisions and housing developments, preferably across all three Councils at the same time. Geographic areas would likely need to be set within which the provision would apply. For example, the defined urban expansion areas around Hamilton, growth cells around Te Awamutu and Cambridge, and the larger settlements in Waikato (such as Raglan and Pokeno). A

combined approach will help to address concerns that if only applied to one or two areas, then there may be a displacement of demand to areas not covered by the requirement. A requirement level of 10% of lots / units to be at an affordable price may be appropriate, although this would need to be verified through viability testing.

Contributions would most likely be based on land and units sold at an affordable price to eligible buyers, or an equivalent contribution of land or money to be paid to the Council. If the purpose is to dedicate serviced lots and/or units to Councils at no cost (for onward ownership by community housing providers), then this option would need to be detailed, subject to an appropriate rate of contribution.

Full combined plan change

Under this option, the mandatory requirement would apply to all greenfields and brownfields developments (effectively any residential development in a residential or business zone). The greenfields component would operate as per above. For brownfields, a minimum threshold would need to be set for a requirement, such as any development involving 5 or more lots or units (so as to avoid negatively impacting upon small scale infill and redevelopment). The contribution from brownfields areas is likely to focus on a monetary contribution (for example a set rate per square metre of floorspace constructed).

As a sub option, a focus of the brownfields component could be confined to the areas to be upzoned as part of the Council's response to the NPS-UD 2020.













10.4 Assessment




These three options can be considered against a range of criteria that take into account the various factors set out in previous sections, including:

- Fit with the RMA/ RMA plans
- Extent of support for the objective of mixed communities
- Likely number of affordable housing / lots generated
- Impact on development feasibility
- Compliance/ monitoring requirements.

The following table lists the options and considers them against the criteria. A simple 'green- yellow-amber' rating is used to highlight the key relative benefits or disadvantages of the options.

Table 11: Analysis of options

| Criteria | Option A – supportive policy | Option B – greenfields first | Option C – brownfields and greenfields |
|------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Fit with the RMA / RMA plans | Likely to be accepted if the policy approach is enabling, rather than prescriptive | While likely to be accepted as a possible RMA method, it will be necessary to show that the requirement will not be a significant deterrent to greenfields growth | Likely to be challenged on the basis of imposing a further barrier to intensification in brownfields |
| Rating |  |  |  |
| Support mixed communities | Limited support for the outcome, given take up would be voluntary | Will assist in addressing core area of concern – limited housing choices in greenfields areas | Should help with ensuring that redevelopment does not lead to displacement of lower income households |
| Rating |  |  |  |
| Affordable units generated | Few units likely to be provided, unless some form of processing incentive is tied to uptake of the policy | Should result in steady stream of lots/units in greenfields areas | In addition to greenfields supply, some units will be provided in brownfields, particularly if larger apartment developments begin to occur (for example around Hamilton CBD) |
| Rating |  |  |  |
| Impact on development feasibility | Limited or no impact | Provided the requirement is modest, unlikely to negatively impact on feasibility | More likely to delay some brownfields redevelopment |
| Rating |  |  |  |

| | | | |
|--------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|
| Compliance / monitoring | Limited compliance and monitoring | Some monitoring and compliance issues if lots/units sold with retention mechanism | Complex compliance and monitoring requirements as policy more likely to generate cash in lieu from brownfields developments |
| Rating |  |  |  |

Requirement versus financial contribution (in lieu fee)

A key variable is the form of the affordable housing contribution. Options cover:

1. Lots and units sold to eligible buyers, at a discount to market rates, subject to retention mechanisms
2. Lots and units sold to Community Housing providers in the first instance, and if not purchased, sold to eligible buyers
3. Monetary contribution in lieu of sale of affordable lots or units paid to Council for the purpose of affordable housing
4. Land and or units transferred to the Council at no cost for the purpose of affordable housing, or equivalent monetary contribution.

The question of which is the best form of contribution is dependent upon what structures are in place to implement the option. Sale of units to eligible buyers is likely best suited to greenfields development, but requires significant monitoring requirements. Purchase of units by Community Housing providers requires that these providers are present and have a source of funding. Contributions of land or money to Councils may generate some such funding, but mechanisms need to be in place to ensure funding flows into the provision of affordable units.

The RMA (section 108 (10)) provides that financial contributions may be imposed in accordance with the purposes specified in the plan or proposed plan (including the purpose of ensuring positive effects on the environment to offset any adverse effect) and that the level of contribution is determined in the manner described in the plan or proposed plan.

10.4.1 Recommendation

It is recommended that the 'greenfields first' option be developed. This recognises that the FPP area is subject to significant urban expansion pressures, and that there is long term benefit from ensuring that part of the housing supply to be developed over the next 10 years or so should assist directly with affordability issues. Brownfields redevelopment is underway, but it is likely to be some years before larger scale redevelopment starts to take hold.

Based on the experience of the greenfields areas, any programme could then be rolled out to selected brownfields areas (i.e. areas likely to see significant redevelopment).

While the contribution rate would need to be set, it is suggested that the contribution process be built around the following:

- 1) 10% of lots sold at an affordable price to registered community housing providers, with affordability based on median household income, or
- 2) A financial contribution of land or money of equivalent commuted value to (1) – being the difference between the prevailing market rate of the lots and the affordable price - paid to the Council for the purposes of funding the development of affordable units.

Key Points

Options to progress affordable housing provisions include introducing supportive objectives and policies (but no methods); making the provision of affordable housing a requirement on new greenfields subdivisions; or applying an affordable housing requirement across greenfields and brownfields areas.

Taking into account the local growth management context, it is recommended that a 'greenfields first' option be developed that would apply across the planned urban expansion areas of the three Councils, as well as new areas proposed by developers. This option recognises that the FPP area is currently subject to significant urban expansion pressures, and that there is long term benefit from ensuring that part of the housing supply to be developed over the next 10 years should assist directly with affordability issues.

Based on the experience of the greenfields areas, any programme could then be rolled out to selected brownfields areas (i.e. areas likely to see significant redevelopment).

11. Developing Support

11.1 Developing partnerships

Affordable housing requirements are a controversial topic. It is a policy response that will need assessment in terms of Section 32 of the RMA and will be subject to significant scrutiny through the statutory process.

Building support for an affordable housing policy is therefore important. Coordinating policy across jurisdictions is likely to be critical in the success of an affordable housing policy in the FPP areas, given the extent of housing market inter-relationships present.

Councils can take a variety of steps to help develop a wider understanding of the need for affordable housing requirements. Typical steps may involve:

- recognising in relevant LGA strategies that affordability issues take more than a 'supply response' to resolve
- setting up 'cross-party' taskforces (e.g. Mayoral Taskforce) to study options
- advocating for supportive legislative provisions in the RMA reforms
- researching market feasibility
- engaging with the development community
- exploring retention options
- undertaking Section 32 type analysis of options
- identifying budget for implementation and monitoring.

11.2 Transitional Issues

While building support for an affordable housing policy is vital, no matter how widespread that support may be, introducing any new mandatory requirements is always likely to engender some reactions from developers and landowners. In particular is dealing with the time lag to get any policy through the statutory process and the potential for pre-emptive consents to be sought during this period.

Rules in plan changes have legal effect at different points in time under section 86B of the RMA. For any affordable housing requirement, this point is when a decision on submissions on the proposed rules is made and publicly notified under Clause 10(4) of Schedule 1. Until a rule has legal effect, there is no ability to consider a proposed rule in the assessment of a resource consent application.

In contrast to rules, objectives and policies in a proposed plan change do have legal effect immediately upon public notification of a plan change. However, the objectives and policies are likely to have little weight until decisions on submissions have been made.

Options to address this risk include:

- seeking rules to have early legal effect;
- using streamline planning processes to shorten statutory processes; and

- following collaborative planning processes.

11.2.1 Rules

Rules can be given legal effect earlier than once decisions on submissions have been made. An earlier date can be specified in an order from the Environment Court, if the Environment Court grants an application made by the Council to the Court under section 86D(2) of the RMA. However, the grounds for any such order are limited. Environment Court decisions (such as *Re Auckland Council* [2020] NZEnvC 99, (2020) 21 ELRNZ 899) have identified factors such as:

- the nature and effect of the proposed changes vis-à-vis the status quo;
- the basis for arguing that the immediate legal effect was necessary;
- the extent of consultation undertaken;
- the strategic importance of the plan change; and
- the history of planning consideration of the relevant issues.

Experience would suggest that the Court would be reluctant to order that rules not directed at protecting an environmental resource have early legal effect.

Even if early legal effect is provided, new rules may have little weight at the start of the statutory process.

11.2.2 Streamline planning processes

The FPP Councils could collectively or individually seek the Environment Minister's approval for use of a streamlined planning process for any plan changes. The streamlined planning process may shorten the time taken to notify and make a decision on a plan change, it also removes appeal rights.

A local authority may apply for a direction on use of the streamlined process from the Minister if the local authority is satisfied that the application meets at least one of the specified criteria, with the most relevant criterion being:

- *the proposed planning instrument is required to meet a significant community need.*

If accepted by the Minister, then the Councils have to follow the process set out by the Minister (which is likely to involve submissions and a hearing). The Minister then makes the final decision to approve or decline the plan change; there are no appeal rights. There is a risk that after considering the matter, the Minister will decline the plan change. As the Minister's decision is final, there is no ability to review this decision. That is, there is also no ability to further refine and develop proposed provisions as is often the case through the appeal process (which can involve substantial mediation between parties).

11.2.3 Collaborative planning

A collaborative process is where a range of stakeholders are involved in developing planning solutions rather than being consulted on established proposals. Councils' partner with their communities to share knowledge and work together to generate a better understanding of the issues and differing views; they then develop, evaluate and implement solutions to those challenges together.

While the collaborative planning process has been removed from the RMA, the FPP Councils could commit to a similar process. Typical steps involve:

- convening of a collaborative group representing a cross-section of interests;
- establishing terms of reference;
- providing technical support to the collaborative group;
- requiring provision of consensus recommendations in a report; and
- a commitment from the Councils to 'give effect' to the consensus recommendations through a plan change.

The collaborative process does not guarantee a consensus outcome can be achieved. A prior commitment to introduce a plan change that implements a consensus outcome may place the Councils in a difficult position if there is a substantial clash between the recommendations and other Council strategies.

The resulting plan change is still subject to the Schedule 1 processes (submissions, hearing and appeal rights). The collaborative process is not necessarily intended to provide a faster first-instance planning route (although it can if appeals are a likely outcome). Experience shows that these processes take time, and the best results are gained when the collaborative group is not unduly time constrained.

11.3 RMA reforms

With the start of the RMA reform process underway (exposure draft of the proposed Natural and Built Environment Act) the question arises as to whether any district plan-based approaches should wait until the new Act is in place. It is also notable that a number of Councils (such as Auckland Council) have specifically identified the need to get in place legislative support for any district plan-based affordable housing provision, rather than proceed under the RMA.

The new Act may take some years to come into force, and the extent to which it may better support an affordable housing requirement (compared to the RMA) is unknown at this stage. Early indications are that the new Act will place a high priority on housing supply. This is positive for relative housing affordability, but as noted more supply may not, by itself, deliver income-related affordability.

There is also a likelihood that the Act will require 'combined plans' for a region. This would allow for an integrated, comprehensive region-wide response, rather than district-by-district plan provisions that may be different from one another.

Given the time that will be involved in developing an affordable housing policy and associated methods, it is recommended that work proceed under the RMA, but with an 'eye' on the RMA reform process.

Key Points

Building support for an affordable housing policy is very important.

Once a proposed policy is announced, there is the possibility of pre-emptive consents being sought to avoid any new requirements. There are a few actions that councils can take to reduce this risk, with the streamlined planning process offering one avenue.

Current indications are that the Natural and Built Environment Act that is to replace the Resource Management Act may not provide any additional support for affordable housing policies, compared to the current legislative framework.

Attachment One: District plan analysis

Waikato PDP

Waikato Proposed District Plan Decisions Version

Introduction

1.12.1

Strategic Direction

- a) Waikato District Council as a Future Proof Partner has made a commitment to the Future Proof Strategy which will manage growth for the next 30 years. Settlement patterns are a key tool used within the Future Proof Strategy. They provide the blueprint for growth and development and aim to achieve a more compact and concentrated urban form over time.
- b) Master plans are an important method for establishing settlement patterns of land use and the transport and services network within a defined area. They can provide a detailed examination of the opportunities and constraints relating to the land including its suitability for various activities, infrastructure provision, geotechnical issues and natural hazards. They should identify, investigate and address the potential effects of urbanisation and development on natural and physical resources.
- c) Master plans should explain how future development will give effect to the regional policy statement and how any adverse effects of land use and development are to be avoided, remedied or mitigated by proposed plan provisions. This will ensure that all the effects of development are addressed in advance of development occurring. A master planning is an appropriate foundation for the plan change process required to rezone land.
- d) The National Policy Statement for Urban Development Capacity 2016 sets monitoring and information requirements for Council to ensure responsiveness and the ability to deliver an adequate supply of development ready land in the right location and at the right time. The intention is to ensure that planning decisions in urban environments are well-informed, timely and responsive to changing population growth demands, market conditions and infrastructure delivery.
- e) It is expected that a comprehensive set of key indicators on growth drivers, growth management, and the spatial distribution of growth will include:
 - i. Patterns and composition of population change and growth;
 - ii. Balance of growth inside and outside the existing urban area;
 - iii. Shifts in housing preferences, including location and typology;
 - iv. Key bulk infrastructure delivery and funding availability;
 - v. Changes in strategic direction and/or priorities.
- f) Progress will be measured against the anticipated growth settlement patterns and targets identified in the Future Proof Strategy as well as the indicative timeframes for master plans and infrastructure provisions,

| | | changes in the growth patterns reported in the Future Proof Monitoring Report, National Policy Statement on Urban Development Capacity assessments and monitoring requirements. | | | | | | | | | | | | | | |
|----------------------------------------|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|---------------------------------------|--|--|-----------------|-----------|-------|---------------------------|----------------------------|--|------------------|-------|--------|--------|
| 1.12.3 Built Environment | | <ul style="list-style-type: none"> a) A district which provides a wide variety of housing forms which reflect the demands of its ageing population and increases the accessibility to employment and community facilities, while offering a range of affordable options. b) A district that encourages and celebrates quality design that enhances and reflects local character and the cultural and social needs of the community. c) A district that has compact urban environment that is focused in defined growth areas, and offers ease of movement, community wellbeing and economic growth. | | | | | | | | | | | | | | |
| Urban Environment | | | | | | | | | | | | | | | | |
| 4.1 Strategic Direction | | | | | | | | | | | | | | | | |
| 4.1.1 Objective – Strategic | | <ul style="list-style-type: none"> a) Liveable, thriving and connected communities that are sustainable, efficient and co-ordinated. b) National Policy Statement on Urban Development Capacity Minimum Targets The minimum targets for sufficient, feasible development capacity for housing in the Waikato District area are met, in accordance with the requirements of the National Policy Statement on Urban Development Capacity 2016. <table border="1" data-bbox="486 1077 1291 1330"> <thead> <tr> <th rowspan="3">Area</th> <th colspan="3">Minimum Targets (number of dwellings)</th> </tr> <tr> <th>Short to Medium</th> <th>Long term</th> <th>Total</th> </tr> <tr> <th>1-10 years (2017-2026)</th> <th>11-30 years (2027-2046)</th> <th></th> </tr> </thead> <tbody> <tr> <td>Waikato District</td> <td>7,100</td> <td>12,300</td> <td>19,400</td> </tr> </tbody> </table> | Area | Minimum Targets (number of dwellings) | | | Short to Medium | Long term | Total | 1-10 years (2017-2026) | 11-30 years (2027-2046) | | Waikato District | 7,100 | 12,300 | 19,400 |
| Area | Minimum Targets (number of dwellings) | | | | | | | | | | | | | | | |
| | Short to Medium | Long term | | Total | | | | | | | | | | | | |
| | 1-10 years (2017-2026) | 11-30 years (2027-2046) | | | | | | | | | | | | | | |
| Waikato District | 7,100 | 12,300 | 19,400 | | | | | | | | | | | | | |
| 4.1.3 Policy – Location of development | | <ul style="list-style-type: none"> b) Locate urban growth areas only where they are consistent with the Future Proof Strategy Planning for Growth 2017. | | | | | | | | | | | | | | |
| 4.1.5 Policy – Density | | <ul style="list-style-type: none"> a) Encourage higher density housing and retirement villages to be located near to and support commercial centres, community facilities, public transport and open space. b) Achieve a minimum density of 12-15 households per hectare in the Residential Zone. c) Achieve a minimum density of 8-10 households per hectare in the Village Zone where public reticulated services can be provided | | | | | | | | | | | | | | |
| 4.1.10 Policy – Tuakau | | <ul style="list-style-type: none"> a) Tuakau is developed to ensure; <ul style="list-style-type: none"> i. Subdivision, land use and development in Tuakau’s new residential and business areas occurs in a manner that promotes the development of a variety of housing densities, diversity of building styles and a high quality living environment; | | | | | | | | | | | | | | |

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| 4.1.11 Policy – Pokeno | <ul style="list-style-type: none"> a) Pokeno is developed to ensure; <ul style="list-style-type: none"> i. Subdivision, land use and development of new growth areas does not compromise the potential further growth and development of the town; |
| 4.1.12 Policy - Te Kauwhata | <ul style="list-style-type: none"> a) Te Kauwhata is developed to ensure; <ul style="list-style-type: none"> ii. Lakeside is the only area that provides for the medium term future growth and is developed in a manner that connects to the existing town and maintains and enhances the natural environment; and iii. A variety of housing densities is provided for. b) Development of the Lakeside Precincts provides for growth, achieves a compact urban form and creates a high level of amenity and sense of place. <ul style="list-style-type: none"> i. Provides for medium density and higher density housing and including housing for the elderly and a range of housing typology on small lots to assist housing affordability; |
| 4.1.13 Policy – Huntly | <ul style="list-style-type: none"> a) Huntly is developed to ensure; <ul style="list-style-type: none"> i. Infill and redevelopment of existing sites occurs; |
| 4.1.14 Policy – Taupiri | <ul style="list-style-type: none"> a) Taupiri is developed to recognise; <ul style="list-style-type: none"> i. The changes that may result from the completion of the Waikato Expressway including the increased demand for housing; iv. Infill and redevelopment of existing sites occurs. |
| 4.1.15 Policy – Ngaruawahia | <ul style="list-style-type: none"> a) Ngaruawahia is developed to ensure: <ul style="list-style-type: none"> v. Infill and redevelopment of existing sites occurs. |
| 4.1.17 Policy - Te Kowhai | <ul style="list-style-type: none"> a) The scale and density of residential development in the Te Kowhai Village Zone achieves; <ul style="list-style-type: none"> i. lower density (3000m² sections) where the development can be serviced by on site nonreticulated wastewater, water and stormwater networks; or ii. higher density (1000m² sections) where the development can be serviced by public reticulated wastewater, water and stormwater networks; c) Placement of dwellings to protect the future ability to increase density should public reticulated wastewater and water networks become available. |
| 4.1.18 Policy – Raglan | <ul style="list-style-type: none"> a) Raglan is developed to ensure: <ul style="list-style-type: none"> i. Infill and redevelopment of existing sites occurs; ii. A variety of housing densities is provided for; iii. Rangitahi is the only area that provides for the medium term future growth and is developed in a manner that connects to the existing town and maintains and enhances the natural environment; and |
| 4.2 Residential Zone | |
| 4.2.16 Objective – Housing options | <ul style="list-style-type: none"> a) A wide range of housing options occurs in the Residential Zones of Huntly, Ngaruawahia, Pokeno, Raglan, Te Kauwhata and Tuakau. |

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|--------------------------------------------------------------------------------|--|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | | b) Residential zoned land near the Business Town Centre Zone and close to transport networks is used for higher density residential living with access to public transport and alternative modes of transport. |
| 4.2.17 Policy – Housing types | | a) Enable a variety of housing types in the Residential Zone where it is connected to public reticulation, including: <ul style="list-style-type: none"> i. Integrated residential development such as low-rise apartments and multi-unit development; and ii. Retirement villages. |
| 4.2.18 Policy – Multi-unit development | | a) Ensure multiunit residential subdivision and development is designed in a way that: <ul style="list-style-type: none"> i. provides a range of housing types; ii. Addresses and integrates with adjacent residential development, town centres and public open space; iii. Addresses and responds to the constraints of the site, including typography, natural features and heritage values; iv. Supports an integrated transport network, including walking and cycling connections to public open space network; and v. Maintains the amenity values of neighbouring sites. |
| Village Zone | | |
| 4.3.1 Objective – Village Zone character | | a) The character of the Village Zone is maintained. |
| 4.3.2 Policy – Character | | a) Buildings and activities within the Village Zone are designed, located, scaled and serviced in a manner that: <ul style="list-style-type: none"> i. Is low density; ii. Maintains the semi-rural character; |
| Urban Subdivision and development | | |
| 4.7.1 Objective – Subdivision and Land Use Integration | | a) Subdivision layout and design facilitates the land use outcomes sought for the residential, business, industrial, reserve and specific purpose zones. |
| 4.7.4 Policy – Lot sizes | | a) Minimum lot size and dimension of lots enables the achievement of the character and density outcomes of each zone; and b) Avoid undersized lots in the Village Zone. |
| 4.7.6 Policy – Co-ordination between servicing and development and subdivision | | a) Ensure development and subdivision: <ul style="list-style-type: none"> i. Is located in areas where infrastructural capacity has been planned and funded; ii. Is located in areas subject to an approved structure plan and provide sufficient infrastructure capacity to meet the demand identified in the structure plan; iii. Achieves the lot yield anticipated in an approved structure plan; and |
| 4.7.7 Policy – Achieving sufficient development density to support | | a) In areas where there is no structure plan, ensure that the maximum potential yield for the zone is achieved to support infrastructure provision. b) Recognise that the minimum potential yield may not be achieved where there are proven geotechnical constraints |

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| the provision of infrastructure services | |
| Specific Zones – Hampton Downs Motorsport and Recreation, Te Kowhai Airpark, and Rangitahi Peninsula | |

Hamilton District Plan

| Hamilton District Plan | | | | | | | | | | | | | |
|---------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|-------|--|--|------|----------------------------------------------|-----------------------------------------|-------|--|--|--|--|
| 2.2.1 | Hamilton is characterised by an increasingly sustainable urban form. | | | | | | | | | | | | |
| 2.2.1a | Development makes use of the identified opportunities for urban intensification. | | | | | | | | | | | | |
| 2.2.1c | Land use zoning and subdivision controls will be used as methods to achieve the sustainable use of the City's land resources including providing for separation, proximity and agglomeration of land uses. | | | | | | | | | | | | |
| 2.2.2 | Urban development takes place within areas identified for this purpose in a manner which uses land and infrastructure most efficiently. | | | | | | | | | | | | |
| 2.2.2a | Development shall occur in locations that are consistent with the growth management policies of the Waikato Regional Policy Statement. | | | | | | | | | | | | |
| 2.2.2b | Any development that is within an identified growth area is to be undertaken in general accordance with an approved Structure Plan. | | | | | | | | | | | | |
| 2.2.2c | The release of land for urban development will not be allowed unless appropriate infrastructure is available and the servicing of this land does not compromise the efficiency and sustainability of planned infrastructure. | | | | | | | | | | | | |
| 2.2.6 | <p>Sufficient feasible development capacity for housing is provided to meet the targets in the table below:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th colspan="4" style="text-align: center;">Minimum Targets (number of dwellings)</th> </tr> <tr> <th style="text-align: center;">Area</th> <th style="text-align: center;">Short to Medium 1-10 years (2017-2026)</th> <th style="text-align: center;">Long term 11-30 years (2027-2046)</th> <th style="text-align: center;">Total</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> | Minimum Targets (number of dwellings) | | | | Area | Short to Medium 1-10 years (2017-2026) | Long term 11-30 years (2027-2046) | Total | | | | |
| Minimum Targets (number of dwellings) | | | | | | | | | | | | | |
| Area | Short to Medium 1-10 years (2017-2026) | Long term 11-30 years (2027-2046) | Total | | | | | | | | | | |
| | | | | | | | | | | | | | |

| | Hamilton City | 13,300 | 23,600 | 36,900 |
|------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|--------|--------|--------|
| 2.2.7 | A range of housing types and densities is available to meet the needs of a diverse range of people and communities. | | | |
| 2.2.7a | Residential development provides for a range of household choices and the diversity of cultural and social needs. | | | |
| Peacocke Structure Plan | | | | |
| 3.4.1.5 | Ensure that higher density development is linked to social and natural amenity. | | | |
| 3.4.1.5a | Increase density around nodes, parks and riverfront areas. | | | |
| 3.4.1.6 | Encourage an overlapping mix of land uses. | | | |
| 3.4.1.6a | Provide a wide variety of land use activities within comfortable walking distance of the highest population densities and amenity. | | | |
| 3.4.1.6b | Use mixed use planning rules to encourage a diverse and compatible range of activities, both vertically and horizontally. | | | |
| Te Awa Lakes Structure Plan | | | | |
| 3.8.1.2 | Establish a high-quality medium density urban residential environment. | | | |
| 3.8.1.2a | Encourage higher densities in areas of high amenity close to lakes and open spaces. | | | |
| 3.8.1.2e | Provide a range of housing choices to support a diverse and active community. | | | |
| Residential Zone | | | | |
| 4.2.1 | A range of housing types and densities is available to meet the needs of all communities. | | | |

| | |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.2.1a | <p>A variety of housing densities and types should be developed, consistent with the:</p> <ul style="list-style-type: none"> i. Capacity of the existing infrastructure. ii. Target densities promoted by Future Proof and the Regional Policy Statement. Specifically this means achieving, as a minimum, the following average gross density targets (excluding transport corridors) over time in the Residential zones. <ul style="list-style-type: none"> 1. 16 dwellings per hectare for development (excluding the identified Large Lot Residential Areas). 2. 30 dwellings per hectare for identified intensification areas. |
| 4.2.1b | <p>Higher-density residential development should be located within and close to the Central City, suburban and neighbourhood centres, tertiary education facilities and hospital, and in areas serviced by passenger transport.</p> |
| 4.2.2 | Efficient use of land and infrastructure. |
| 4.2.2a | <p>Residential development shall use land and infrastructure efficiently by:</p> <ul style="list-style-type: none"> i. Delivering target yields from housing development in both greenfield growth areas and intensification areas, as indicated by rules or Structure Plans. ii. Staging and sequencing the development as indicated by rules or Structure Plans. iii. Otherwise complying with relevant Structure Plans. |
| 4.2.13 | <p>The Te Awa Lakes Medium Density Residential Zone enables a comprehensively designed residential development incorporating a component of affordable housing and integrated with the adjacent adventure park tourist and recreation attraction, the Waikato River, and nearby communities, all contributing to an attractive gateway to the city.</p> |
| 4.2.13a | <p>A range of housing types, including higher densities, are enabled to provide a choice of living environments, connected to other communities through multi-modal and nonmotorised transport.</p> |
| 4.2.13b | <p>The development achieves higher density in conjunction with high quality amenity through a masterplanned approach that informs the Te Awa Lakes Structure Plan and related rules.</p> |
| 4.2.13c | <p>The development provides affordable housing through the higher density and by specifying that a minimum percentage of new homes do not exceed a maximum purchase price.</p> |
| 4.2.13d | <p>Development is sensitive to the Waikato River interface through lower density development and building setbacks.</p> |
| Central City Zone | |

| | |
|---------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7.2.1 | The Hamilton Central City is the heart of the Waikato region acting as a diverse, vibrant and sustainable metropolitan centre. |
| 7.2.1a | Opportunities are provided within the Central City to live, work and play for people of varying ages, cultures, incomes and all levels of mobility. |
| 7.2.1g | Housing densities are consistent with 50 dwellings per hectare in the Central City. |
| 7.2.3 | Amenity values within the Central City that encourage the growth of a sizeable, centrally located residential community. |
| 7.2.3a | Increased levels of residential accommodation within and close to the Central City is promoted and provided for. |
| 7.2.3b | Mixed-use activity within the Central City is supported, where it is consistent with existing activities, to sustain the vitality of the central area and enable increased use of upper floor areas for business and residential activity. |
| 7.2.7 | High-density, sustainable, residential mixed-use development, supporting commercial activities and small to medium scale offices, within a high amenity environment appropriate to attract and retain a significant resident and working population. |
| 7.2.7c | Residential development is close to existing amenities, including open spaces (such as opposite the north Tristram Street parks), passenger transport, supermarkets and sporting facilities. |
| Rototuna Town Centre Zone | |
| 13.2.6 | Development of compact, well designed, and functional residential developments with high levels of amenity. |
| 13.2.6a | Ensure that high, medium and mixed-use residential development establish in the locations shown on the Rototuna Town Centre Concept Plan. |
| 13.2.6c | Ensure that residential development in the Town Centre delivers densities consistent with those promoted by Future Proof and the Regional Policy Statement. |

Waipā District Plan

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| Waipā District Plan | |
| Strategic Growth Management | |
| 1.3.1 | <p>Objective - Settlement pattern To achieve a consolidated settlement pattern that:</p> <p>(a) Is focused in and around the existing settlements of the District; and</p> <p>(b) Supports the continued operation, maintenance, upgrading and development of regionally important sites and regionally significant infrastructure and nationally significant infrastructure, and provides for on-going access to mineral resources.</p> |
| 1.3.1.1 | <p>Policy - Settlement pattern</p> <p>To ensure that all future development and subdivision in the District contributes towards achieving the anticipated settlement pattern in the Future Proof Growth Strategy and Implementation Plan 2009 and the District Growth Strategy.</p> |
| 1.3.1.2 | <p>Policy - Towns</p> <p>To provide for a consolidated settlement pattern by ensuring that new urban activities are focused within the urban limits of the towns of the District and in particular:</p> <p>(a) Residential developments and subdivision being located within the residential zones of Cambridge, Te Awamutu and Kihikihi, and also above ground floor level within the Commercial Zone; provided that this policy does not limit further development within the Residential Zone at Karāpiro identified on Planning Map 31.</p> |
| 1.3.2 | <p>Objective - Planned and integrated development To ensure that development and subdivision happens in a way and at a rate that is consistent with the anticipated settlement pattern, maximises the efficient use of zoned and serviced land, and is co-ordinated with cost-effective infrastructure provision</p> |
| 1.3.2.1 | <p>Policy - Implement Proposed Waikato Regional Policy Statement, Future Proof 2009 and Growth Strategy</p> <p>To allow subdivision and development that will give effect to the settlement pattern and directions of the Proposed Waikato Regional Policy Statement and that is consistent with the settlement pattern and directions in the Future Proof Growth Strategy and Implementation Plan 2009 and the Growth Strategy, and avoid unplanned developments which are inconsistent with these directions.</p> |
| 1.3.2.4 | <p>Policy - Efficient use of zoned and serviced land</p> <p>Maximise the efficient use of existing physical resources by requiring all new serviced residential greenfield development and subdivisions to have a range of lot sizes that achieve an overall target density of 12 to 15 dwellings per ha of gross developable area.</p> |

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| Residential Zone | |
| 2.3.4 | <p>Objective - Providing housing options</p> <p>To enable a wide range of housing options in Cambridge, Te Awamutu, Kihikihi, and Karāpiro in a way that is consistent with the key elements of the character of each place</p> |
| 2.3.4.1 | <p>Policy - Sustainable and efficient use of land</p> <p>To meet changing housing needs and to reduce demand for further land to be rezoned, by providing for a range of housing options. Developments that are comprehensively designed where spaces can be shared will be preferred.</p> |
| 2.3.4.2 | <p>Policy - Secondary dwellings</p> <p>To meet a range of housing needs by enabling one secondary dwelling per site where neighbourhood amenity and on-site amenity standards can be met, provided that physically separate dwellings on a site shall be avoided.</p> |
| 2.3.4.3 | <p>Policy - In-fill housing</p> <p>To enable comprehensively designed in-fill housing developments, provided that the development is not located within the compact housing overlay or a character cluster as identified on the Planning Maps.</p> |
| 2.3.4.4 | <p>Policy - Marae and Papakāinga</p> <p>To enable sustainable marae and papakāinga developments acknowledging that the design and layout of a marae or papakāinga development may be different than that generally found in the Residential Zone.</p> |
| 2.3.4.5 | <p>Policy - Compact housing</p> <p>To enable compact housing in the following locations:</p> <p>(a) Areas identified for compact housing on the Planning Maps or on an approved structure plan; or</p> <p>(b) Where the intensive use is off-set by adjoining an area zoned for reserve purposes on the Planning Maps that is greater than 1000m², including the Cambridge town belt; or</p> <p>(c) Within a 400m radius of a Commercial Zone.</p> <p>(d) Compact Housing will be supported where it is consistent with compact housing provided on neighbouring land.</p> <p>Provided that:</p> <p>(i) In all cases compact housing shall be comprehensively designed and shall incorporate the sustainable design and layout principles (refer to Section 21 – Assessment Criteria and Information Requirements); and</p> |

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| | <p>(ii) At the boundaries of the site, compact housing shall be consistent with the predominant height and bulk of development in the neighbourhood; and</p> <p>(iii) Sites which adjoin a cul-de-sac should be avoided.</p> |
| 2.3.5 | <p>Objective - Comprehensive design and development</p> <p>To ensure that developments are comprehensively designed, incorporate urban design and CPTED principles, are co-ordinated with infrastructure provision, and integrated with the transportation network.</p> |
| 2.3.5.1 | <p>Policy - Comprehensive design of in-fill housing, compact housing, retirement village accommodation and associated care facilities, rest homes, and visitor accommodation</p> <p>To ensure that in-fill housing, compact housing, retirement village accommodation and associated care facilities, rest homes and visitor accommodation are comprehensively designed by:</p> <p>(a) Ensuring that developments effectively relate to the street, existing buildings, and adjoining developments in the neighbourhood; and</p> <p>(b) Ensuring that in the Cambridge Residential Character Area new dwellings between existing dwellings on the site and the road shall be avoided; and</p> <p>(c) Avoiding long continuous lengths of wall; and</p> <p>(d) Maximising the potential for passive solar gain; and</p> <p>(e) Providing for sufficient private space for the reasonable recreation, service and storage needs of residents; and</p> <p>(f) Retaining existing trees and landscaping within the development where this is practical; and</p> <p>(g) Where appropriate provide for multi-modal transport options and provide for links with existing road, pedestrian and cycleways; and</p> <p>(h) Incorporating CPTED principles; and</p> <p>(i) Addressing reverse sensitivity effects; and</p> <p>(j) Mitigating adverse effects related to traffic generation, access, noise, vibration, and light spill; and</p> <p>(k) Being appropriately serviced and co-ordinated with infrastructure provision and integrated with the transport network.</p> |
| 2.3.5.2 | <p>Policies - Cambridge Park and C1 and C2/C3 Structure Plan Area</p> <p>To encourage creative and innovative approaches to urban design and development within the Cambridge Park Residential Zone and the C1 and C2/C3 Structure Plan Area.</p> |
| 2.3.5.3 | <p>To confer a strong, coherent urban identity to the neighbourhood within the Cambridge Park Residential Zone.</p> |

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| Commercial Zone | |
| 6.3.2 | To achieve vibrant and active centres which have a distinctive character. |
| 6.3.2.4 | To enable residential activities and Residential Based Visitor Accommodation within Commercial Zones provided they are not located at ground level (except for the Cook Street/Shakespeare Street area). |
| 6.3.2.5 | In that part of the Commercial Zone in Cook Street/Shakespeare Street that directly adjoins reserves along the Waikato River, residential activities and Residential Based Visitor Accommodation at ground level are enabled where the residential activity or Residential Based Visitor Accommodation faces and relates to the Waikato River, meets the principles of CPTED, and where practicable provides public access to the Waikato River. |
| Deferred Zones | |
| 14.3.1 | Land intended for conversion from its current land use to an alternative land use in order to respond to growth demands is clearly identified, occurs in a planned manner, and its resources are protected for its anticipated future use. |
| 14.3.1.1 | Land which is intended to be converted from its current land use to respond to growth demands will have its current zoning and its deferred zoning clearly identified. |
| 14.3.1.3 | To provide a framework for new growth areas through a comprehensive and integrated structure planning process. |
| 14.3.1.4 | All Deferred Zones are able to be rezoned for their intended future use, subject to Policy 14.3.1.5 below, provided it is in accordance with the timing, location and extent of the growth cells as outlined in Appendix S1 of the Plan, no amendments to the District Plan objectives, policies or rule framework are required, the process in Policy 14.3.1.5 has been followed, and adverse effects are avoided, remedied or mitigated. In respect of the timing for the release of growth cells, there is provision within the rule framework for the release of additional growth cells where Council is satisfied there is less than three years supply of development ready land in any town or village within the district. |
| 14.1.3.7 | The Cambridge North Deferred Residential Zone, the Deferred Reserves Zone within the Cambridge North Structure Plan Area, and the Cambridge North Neighbourhood Centre Deferred Commercial Zone located within the C1 Growth Cell (in relation to Cambridge North Neighbourhood Centre) will be rezoned in whole or in part for its intended future residential, commercial and/or recreation use pursuant to Council resolution only once Council is satisfied that: <ul style="list-style-type: none"> a) There is a development agreement in place with Council and the developer which clearly outlines the nature and timing of any necessary infrastructure, and how this infrastructure is to be developed and funded. |

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| | <p>The development agreement must be clear as to whether the infrastructure is implemented prior to development or as part of the development process; and</p> <p>b) In the case of the Cambridge North Residential Area, there is a demonstrated plan in place by the developer that identifies how a minimum density of 12 dwellings per hectare will be achieved over the area to be rezoned.</p> |
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