



Future Proof Submission on
The Housing Accords and Special Housing Areas Bill 2013

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To:
Committee Secretariat
Social Services
Parliament Buildings
WELLINGTON

Name of Submitter:

Future Proof Implementation Committee
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Submission:

This is a submission by the Future Proof Implementation Committee on the **Housing Accords and Special Housing Areas Bill**. The content of the submission follows overleaf. We appreciate the opportunity to provide comments on the Bill. We would like to speak to the Committee in support of our submission. If others make similar submissions Future Proof would be prepared to consider presenting a joint case with them at the hearing.

Signed:

A handwritten signature in black ink on a light yellow background. The signature is written in a cursive style and reads "Ken Tremaine".

Ken Tremaine
Future Proof Implementation Advisor

1. Introduction

This is a submission by the Future Proof Implementation Committee (“FPIC”), the governance group responsible for implementation of the Future Proof Growth Strategy. The FPIC includes representatives from the Future Proof sub-regional councils of the Waikato Regional Council, Hamilton City Council, Waipa and Waikato Districts as well as Tāngata Whenua (Waikato-Tainui).

The Future Proof Strategy is a 50-year growth management vision and implementation plan which was adopted by the Strategy partners on 30 June 2009. Future Proof is currently in the implementation phase. The Strategy takes a strategic, integrated approach to long term planning and growth management.

The Future Proof Implementation Committee is supportive of initiatives to address the housing affordability issue in New Zealand as this is a key part of long-term planning and growth management. However, affordable housing is a complicated area and there are no single or simple solutions to the problem. Future Proof is of the view that the Bill as it is currently drafted simplistically equates housing affordability with land supply when there is often no direct correlation between these two matters.

Future Proof is happy to discuss any of the matters raised in this submission further.

2. The Future Proof Strategy

2.1 The Future Proof Sub-Region

The ‘sub-region’ refers to the administrative areas of the territorial authorities of Hamilton City Council, Waipa District Council, and Waikato District Council, and is an area of rapid population and development growth. The Waikato region is the 4th largest in New Zealand and is part of the ‘golden triangle’ that is Auckland, Waikato and the Bay of Plenty. The golden triangle is expected to contain 53% of the nation’s population by 2031 and account for over half of New Zealand’s total economic activity.

The Future Proof sub-region is the growth hub of the Waikato region. It is projected that the Future Proof sub-region will contain 96% of the entire Waikato region's population growth out to 2026.

The Future Proof Strategy seeks to provide a consistent knowledge base and vision for its partner councils and other agencies in order to plan for, and sustainably manage growth in an integrated manner. Specifically the Strategy provides a framework for co-operatively managing growth and setting goals for future implementation. This allows the costs and resources required to fund and manage infrastructure such as transport, wastewater, stormwater, recreation and cultural facilities to be identified and provided for.

2.2 Strategy Features

The key features of the Future Proof Strategy are:

- A focus on providing well designed, sustainable and affordable housing and lifestyle choices;
- Increased densities in new residential development and more intensive redevelopment of some existing urban areas to reduce the need for car dependency;
- Metropolitan Hamilton being a vibrant and lively place where people want to live, work and play;
- Thriving business centers in the sub-region's towns providing local housing and employment options along with a range of social and recreational activities;
- Development directed away from hazard areas;
- Green spaces (i.e. wildlife habitats, public open space and farmland) between settlements;
- Planning focused on resilience of communities and infrastructure while moving towards highly energy efficient devices and low carbon emissions;
- Protection of future infrastructure corridors, energy generation sites and mineral deposits;
- Protection of versatile and productive farmland by directing rural-residential and residential development and business land closer to towns and villages. This will also assist in reducing reverse sensitivity issues;
- Identification, planned maintenance and enhancement of biodiversity areas, clusters and corridors;

- Integrated transport and land-use planning;
- The values, principles, aspirations, role, responsibility and place of tāngata whenua in the sub-region;
- Development of key transport corridors; and
- Recognition of and support for protection of strategic nationally and regionally important service and businesses.

2.3 Housing Affordability in the Future Proof Sub-region

The Future Proof sub-region experienced considerable dwelling and section price inflation between 2003 and 2008. Price increases have been over and above the growth in incomes, making home ownership increasingly unaffordable to households on moderate to average incomes. Whilst not exclusively, new housing development has tended to be in the middle to upper end of the market, with fewer smaller homes or apartment style developments being provided by the market.

Like other parts of New Zealand experiencing growth, the Future Proof sub-region has experienced unprecedented growth in house prices, particularly in Hamilton City. The median house price in Hamilton City increased from \$183,185 in 2002 to \$304,570 in 2006 (a 66% increase).

Home ownership is regarded as an important part of New Zealand’s national identity. Falling home ownership levels are therefore a concern to the sub-region, particularly as the opportunity to own your own home helps to attract and retain workers. In addition, from a social development perspective, home ownership supports wealth generation and asset growth of lower to middle income households.¹

The Future Proof Strategy has identified the following issues for affordable housing in the sub-region:²

- Inability of the affordable housing market to compete for resources.
- The influence of employment, wage rates and transport costs on housing affordability.
- Land banking by developers can prevent residential land from coming on to the market.

¹ Future Proof Growth Strategy and Implementation Plan, 2009 at page 132

² Ibid

- Lack of subsidies or other tools means councils and developers must bear the full cost of providing infrastructure.
- The market does not always provide the range of housing types needed, for example smaller homes and apartments.
- Compliance and development contribution costs for developers.

Like many other growth areas of New Zealand there is a considerable gap between household incomes and the ability to support a housing loan or pay market rents.

The Strategy takes the following key approaches and contains actions in order to help address the affordable housing issue:³

- Encourage the market to provide wider housing choice through the development of smaller homes and/or apartments.
- Engage with central government to secure investment in the redevelopment of and renewal of public housing.
- Advocate to central government and other agencies with regards to affordable housing provision in the sub-region.
- Undertake a housing needs assessment and affordable housing policy.

3. The Housing Accords and Special Housing Areas Bill

3.1 General Comment

Housing affordability is a complex issue. To equate land supply with affordably housing is overly simplistic. Future Proof submits that the pressures for more affordable housing nationally and sub-regionally are a direct consequence of population growth, the formation of new households and the inability of many households to either pay a mortgage or meet market rents. Future Proof is managing this growth through an integrated planning approach so as to reduce the potential costs on the general ratepayer now and in future as the sub-region grows.

³ Ibid at pages 132 - 133

Future Proof acknowledges that several interrelated factors contribute to housing affordability and that they vary in degree between cities and regions. They include (but are not limited to):⁴

- Income (the ability to meet housing costs and/or save to purchase a house);
- Rents and house prices (level of payment required);
- Finance (cost and availability of credit to borrow to purchase a house);
- Demographic factors (household formation rate and migration inflows);
- Labour market conditions (income security and wage/salary rates).
- Supply factors (rental stock, 'first-purchase' housing stock, new buildings, and vacant developable/sub-dividable land). Given the current lack of market confidence new housing starts per capita are the lowest since the Great Depression of the 1930's. The lack of new housing stock relative to demand is driving up prices and widening the gap between income and affordability.

3.2 Urban Planning and Housing Affordability

The Future Proof Strategy focuses on ensuring that enough land is available to accommodate the estimated population growth and that this is synchronised with the provision and funding of infrastructure.

A key driver behind the Future Proof sub-regional settlement pattern is sustainable land-use. This requires a comprehensive and long-term approach to where, when and how development takes place. This provides certainty for the community and will help to deliver on the vision and principles of this Strategy.

Councils are required by legislation to take an integrated approach to planning and not merely just zone more land. The existing legislation emphasises the need for an agreed and sustainable land use pattern that is integrated with infrastructure. This is evident in the Resource Management Act 1991 ("RMA 1991"), the Local Government Act 2002 ("LGA 2002") and the Land Transport Management Act 2003 ("LTMA 2003"). These statutes show a clear intention of:

⁴ Centre for Housing Research Aotearoa New Zealand (CHRANZ), *Affordable Housing in New Zealand, Prepared for the National Summit – Affordable Housing*, 30 October 2006, Wellington, p.3.

- Integrating land use and infrastructure (a regional council function in the RMA 1991, the LTMA 2003)
- Planning for growth (the impact of growth on infrastructure under the LGA 2002)
- Long term planning and investment (LGA 2002 and LTMA 2003)
- The impact of land use on transport and vice versa (LTMA 2003)

Given the costs of providing and funding the bulk, public infrastructure necessary to support growth, until these costs are able to be fully recovered from developers, it is not financially sustainable to have total market freedom for growth locations. Specific growth areas must be identified and services designed in a manner that supports the future land use pattern. These services are often planned and funding methods put in place through a council's funding policies under its long-term plan in advance of construction as new areas are rezoned. Unless infrastructure needs and benefits are clearly identified, it is not possible to recover the costs of these from the development community. Opening up large tracts of land puts territorial authorities in a potentially financially unsustainable position.

It is very important that the Housing Accords and Special Housing Areas Bill specifically acknowledges the need to align with any existing growth strategies, spatial plans or other long term planning documents. It is also critical that there is a link made between the Special Housing Areas and associated qualifying developments, and the ability of these areas to be serviced by infrastructure in an efficient, effective and affordable manner. As it currently stands the Bill largely ignores this issue.

3.3 Summary of Main Submission Points

A detailed response to the Commission's Report is provided in the next section of this submission. In short, Future Proof's submission makes the following key points:

- The Bill is fundamentally based on the premise that land supply and affordability are interchangeable. It is Future Proof's submission that this is not the case and there are a number of areas throughout New Zealand where there is an adequate supply of land and yet housing is still unaffordable. These supply and demand factors are strongly influenced by the lack of market confidence to build new housing stock. Future Proof is also of the view that if the Bill

was serious about housing affordability it would have included targets for special housing areas to have a certain amount of affordable housing for each development.

- The Bill has the potential to have significant implications on the logical and sequenced roll-out of infrastructure to support planned growth areas within long term growth management Strategies such as Future Proof which are premised on taking an efficient and integrated approach to growth management. This involves planning for long-term land use needs, infrastructure requirements and funding.
- The Bill does not adequately deal with the cost of providing infrastructure to Special Housing Areas nor does it take a sufficiently long-term view of the opportunities to lower the cost of infrastructure by planning for special housing areas to optimise existing infrastructure investment.
- Future Proof has serious concerns with the provisions in the Bill which override a Council's authority to make decisions on land supply but do not take over the responsibility to fund and service the area with infrastructure.

3.4 Detailed Submission

Bill Reference	Future Proof Submission	Specific Recommendation
<p>Clause 9 - Power to amend Schedule 1</p>	<p>Clause 9(2) states that before making a recommendation to add the name of a region or district to Schedule 1, the Minister must be satisfied that the region or district is experiencing significant housing supply and affordability issues. However the criteria in clause 9(3) are restricted to assessing affordability issues only.</p> <p>As part of the gateway test in clause 9 there should be additional criteria relating to the current supply of zoned residential land.</p>	<p>Provide another gateway test within Clause 9 to ensure that current supply of zoned residential land is taken into account before adding a district or region to schedule 1 as follows:</p> <p>9 Power to amend Schedule 1</p> <p>...</p> <p><i>(3) It is sufficient for the Minister to be satisfied in accordance with subsection (2) if,—</i></p> <p><i>(a) according to publicly available data, one or both of the following apply to the region or district:</i></p> <p><i>(i) the weekly mortgage payment on a median-priced house as a percentage of the median weekly take-home pay for an individual exceeds 50%, based on a 20% deposit;</i></p> <p><i>(ii) the median multiple (that is, the median house price divided by the gross annual median household income) is 5.1 or over; and</i></p> <p><i><u>(b) there is insufficient supply of zoned residential land in the region or district; and</u></i></p> <p><i>(b) <u>(c) after consulting with the chief executive, the Minister is satisfied that the information contained in that the publicly available data referred to in (a) and (b) is consistent with other information analysed by the Ministry concerning housing supply and affordability in the region or district.</u></i></p>
<p>Clause 11 - Form and content of housing accord</p>	<p>It is unclear in clause 11 (1)(c) whether the agreed targets for residential development include or take</p>	<p>Ensure that a housing accord must be consistent with any existing growth management strategies or spatial plans and</p>

Bill Reference	Future Proof Submission	Specific Recommendation
	<p>into account of the land currently available for residential development or planned for future residential development in growth management strategies or spatial plans. Clause 11 should also include a reference to how special housing areas and qualifying developments are intended to be serviced with infrastructure.</p>	<p>that currently zoned/serviced residential land as well as future urban growth areas planned for future sequential development are taken into account.</p> <p>11 Form and content of housing accord</p> <p><i>(1) A housing accord must—</i></p> <p><i>(a) be in writing; and</i></p> <p><i>(b) set out the parties’ agreement about how they will work together to achieve the purpose of this Act in the district of the territorial authority; and</i></p> <p><i><u>(c) be consistent with any existing growth management strategy or spatial plan;</u></i></p> <p><i>(d) set out agreed targets for residential development in the district of the territorial authority which take into account current zoned and able to be serviced residential land as well as any future urban growth area(s); and</i></p> <p><i><u>(e) identify how any special housing areas and associated qualifying developments are intended to be appropriately serviced with infrastructure and how this will be funded;</u></i></p> <p><i><u>and</u></i></p> <p><i>(f) provide for either party to terminate the accord on giving 6 months’ notice (or such other period, of not less than 3 months, as may be agreed).</i></p>
<p>Clause 15 - Criteria for qualifying developments</p>	<p>It is unclear why the criteria for qualifying developments have been limited to issues of height and density. These are not critical determinants related to affordability. Height and density do affect yield (ie the higher you build and the more densely you build the better yields you obtain) and therefore could potentially offer a</p>	<p>Reconsider the criteria relating to maximum height in Clause 15(1)(a) so as not to preclude intensification areas.</p> <p>Expand the criteria Clause 15 to include critical aspects of affordability, such as:</p> <ul style="list-style-type: none"> ▪ Providing for a certain percentage of the development

Bill Reference	Future Proof Submission	Specific Recommendation
	<p>greater level of housing supply. However, while Clause 15(1)(b) allows for a minimum number of dwellings that allows for better yields, Clause 15(1)(a) places restrictions on height. This is presumably because the Bill does not intend on allowing housing that is too dense (eg intensification areas) to become part of qualifying developments or special housing areas. If we are concerned about housing affordability and housing supply then it is imperative that intensification areas are also part of the Bill.</p>	<p>to be affordable housing (eg under a certain price range);</p> <ul style="list-style-type: none"> ▪ Quality of construction; ▪ Type of tenure ▪ Provision of infrastructure / community facilities
<p>Clause 16 - Process for establishing Special Housing Areas</p>	<p>Clause 16 sets out the matters that the Minister address when making a recommendation to establish a Special Housing Area. Clause 16(3)(a) states that the Minister must be satisfied that the special housing area could be used for qualifying developments with the appropriate infrastructure. This clause appears to take the provision of infrastructure as a given. It does not acknowledge that the infrastructure must also be able to be provided efficiently, effectively and in an affordable manner. It has to be part of Council's planned infrastructure roll-out and it has to be appropriately budgeted for in the Long-Term Plan. This is particularly important in terms of the ability to collect development contributions.</p>	<p>Expand the criteria in Clause 16(3) to include:</p> <ul style="list-style-type: none"> ▪ optimisation of existing infrastructure investment ▪ alignment with sequenced development planned by an existing growth management strategy or spatial plan for the area ▪ identification of required infrastructure in the relevant long-term plans and regional land transport programmes ▪ affordability / availability of funding for infrastructure and facilities required to support the Special Housing Area
<p>Clause 16(4)(b)(ii) - Process for establishing Special Housing Areas"</p>	<p>This particular clause is in effect a Ministerial override provision which allows the Minister to recommend the making of an Order in Council to establish a special housing area, despite there</p>	<p>Remove Clause 16(4)(b)(ii).</p>

Bill Reference	Future Proof Submission	Specific Recommendation
	being no housing accord between the Minister and the Territorial Authority. Future Proof considers that this clause goes too far and renders the Housing Accord process a potential nullity given that the Minister can establish special housing areas without any agreement. It also raises practical issues around infrastructure servicing / rollout if the territorial authority has not agreed to the Housing Accord.	
Clause 17(5) - Establishing special housing areas in district covered by housing accord	Clause 17(5) states that no criterion that would enable houses and other buildings to have more than 6 floors may be declared to apply. Again, issues of building height and density are not critical determinants related to affordability. There may well be situations where special housing areas would include a range of housing types or intensification areas in order to meet people's needs over time. This should not be precluded by the Bill.	Remove Clause 17(5) so as not to preclude the inclusion of intensification areas where these have been included in growth management strategies or spatial plans
Clause 61 - Requests for changes to plan or variation to proposed plan	Clause 61(4)(b) has the effect of subverting the RMA 1991. Clause 61(4)(b)(i) only requires the authorised agency to have regard to Part 2 of the RMA 1991. This should be a stronger requirement and be at least on par with Clause 61(4)(a) which states that the authorised agency must give effect to the purpose of this Act (ie the Housing Accords and Special Housing Areas legislation). Future Proof would like to see Clause 61(4)(b) amended so that authorised agencies are required to give effect to Part 2 of the RMA 1991.	Amend Clause 61(4) as follows: <i>61 Requests for changes to plan or variation to proposed plan</i> ... <i>(4) The authorised agency, when considering a request for a plan change or variation under this section, must—</i> <i>(a) give effect to the purpose of this Act; and</i> <i>(b) have regard to give effect to (i) Part 2 of the Resource Management Act 1991; and</i> <i>(c) (ii) <u>have regard to the matters in section 74 of the</u></i>

Bill Reference	Future Proof Submission	Specific Recommendation
	<p>Clause 61(4)(b)(ii) has the effect of nullifying any sections of the Regional Policy Statement which are not consistent with the purpose of the Bill (increase in land supply). This is problematic and poorly thought through. Whether or not the RPS is consistent with increasing land supply depends entirely on the geographic area of the specific qualifying development triggering the plan change. In the scenario where a region has an RPS which anticipates the sequenced development of several future urban growth areas across different areas of the sub-region, it follows that different sections of the RPS will be deemed irrelevant depending on whether they align with the geographic location of the qualifying development subject to the plan change. This clause gives no guidance to a situation where competing qualifying developments are applied for in different areas of the region.</p> <p>In addition, this clause may have significant unintended consequences whereby sections of an RPS which restrict the land available for development for reasons unrelated to urban limits (for example natural hazard provisions or culturally significant sites) are disregarded in decision making.</p>	<p><i>Resource Management Act 1991, except that, for the purposes of section 74(2), the authorised agency must only</i> 5 <i>give effect to those parts of the regional policy statement that are consistent with the purpose of this Act.</i></p>