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Appendix 1: Comments from Wellington City Council on the Local Government New Zealand Alternative Affordable Housing Bill

Comments to: **Local Government New Zealand (LGNZ)**

Document: **LGNZ's alternative Affordable Housing: Enabling Territorial Authorities Bill**

From: **Wellington City Council**

Date: **30 April 2008**

1. Introduction

- 1.1. The affordability of housing in Wellington City is of concern to the Council. The gap between the cost of housing and incomes is widening in Wellington at a rate comparable to other areas of the country. Wellington has experienced strong growth in house prices and population increases in recent years and the Council is concerned that the city's reputation as a great place to live, work and play should not be undermined by barriers to home ownership. Although home ownership rates have declined in recent years it remains an important economic and social goal for most Wellingtonians.
- 1.2. Home ownership has social and economic implications; it contributes to residents' sense of place and community values. The Council's goal is to offer residents quality choices about where they live – in apartments, townhouses or traditional stand-alone dwellings. Affordability of housing plays an important role in this regard.
- 1.3. The Council views housing as a critical component of a viable community. A lack of affordable housing can have unfavourable impacts on social cohesion, health, educational attainment, urban amenity, economic development and employment.
- 1.4. The affordability of housing is not just about the purchase price. Affordability also includes property maintenance costs, the costs of transportation to work places, schools, accessibility to facilities and services, and costs related to healthy housing such as heating. Increasing urban expansion can place additional, often hidden, costs on both the owners and the wider community (e.g. transportation costs).
- 1.5. Barriers for home buyers have existed for decades, and were in the form of substantial minimum deposits, difficulty in obtaining credit and the very high costs of that credit. The barriers today have arisen from the rapid escalation in the value of houses over the past few years. This has led to increasing pressure for development of public policy tools to address the problem.
- 1.6. The role of the Council in housing is multi-faceted:
 - Regulator – Council makes rules for zoning of land and developing land
 - Enforcer – Council applies the rules, such as the Building code, District Plan, etc, to new houses and for modifications to existing houses.
 - Provider – Council is one of the largest landlords in NZ due to its substantial portfolio of social housing stock.
 - Services – Council provides core infrastructure, amenities etc. The cost of providing and maintaining these items flows through to homeowners in the form of development contributions (for increasing capacity) and rates (for maintaining service levels).

2. Commerce Select Committee Enquiry

- 2.1. In 2007, the Council contributed to the Commerce Select Committee enquiry on housing affordability. The Council said:
 - The Council has a role to play – but cannot, by itself, provide the solution(s).
 - The drivers of housing price inflation are complex and relate to both supply and demand. There is no one clear driver and no one clear response.

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- Housing affordability is a very regional issue. There are specific regions where housing affordability is acknowledged to be an issue, but the housing affordability issues / causes are not the same in all regions.
- 2.2. In our earlier submission Council focussed on three areas of particular relevance to the Council: land supply; planning processes; and levies and charges.
- 2.3. These three areas have been consistently raised as having a detrimental impact on the cost of housing. It was Council's submission that our policies and processes do not adversely impact on housing affordability in the Wellington context because:
- land is available.
 - processes are generally executed proficiently (most costs arise when applicants seek to go beyond permitted policy or planning activities and incur mitigation costs).
 - regulatory fees and charges have increased, reflecting the need to assure quality, but elements of this work remain subsidised by rate payers.

3. Land Supply

- 3.1. Council does not accept that land supply constraint is the key driver of housing cost as is often suggested. Nor do we accept that requiring councils to release further land (possibly in contravention of their growth management plans) is the solution to the issue of housing affordability. Research by several councils, including the Auckland Regional Council and Wellington City Council, indicates that there is sufficient land available for residential purposes to accommodate growth. However the Council can do very little to affect the pace in which land is released by owners for development.
- 3.2. The Council has a long established policy of urban containment. The objective of the policy is to limit the negative effects of urban sprawl and reduce the costs associated with providing additional infrastructure.
- 3.3. The city's primary green-field sites (on private land) have been identified in the northern part of the city. The area is developing relatively slowly and is expected to house 10,000 people and 3,500 dwellings over a 20 year period. The majority of this land is in single ownership. It is also noted that all of the TLA's to the north of Wellington City have significant supplies of 'green-field' land available for residential development.
- 3.4. The slow release appears to be a result of vertical integration – landowners are maximising their returns by releasing land selectively and controlling all phases of the development process from land subdivision to the sale of the building. This has resulted in the majority of houses being constructed for the upper-end of the market.
- 3.5. The Council has significant amounts of land that it uses to provide strategic assets. These range from town belts and reserves through to roads and recreational facilities. By definition these assets are an essential component of a modern city. It is not considered appropriate that they be freed for alternate uses (such as housing) while other land options are available.

4. Summary of LGNZ's alternative Affordable Housing Bill

- 4.1 Like the original Bill the LGNZ alternative Bill is enabling rather than mandatory. Unlike the original Bill, the LGNZ Bill provides for affordable housing principally through the Resource Management Act and District Plan processes.
- 4.3 The LGNZ Bill would add 'the need for affordable housing' to the matters that a local authority may have regard to under section 7 of the RMA. Local authorities could then develop and implement policy relating to affordable housing through the District Plan and resource consent processes.
- 4.4 The LGNZ Bill contains draft controls for the types of conditions that Council's could attach to resource consent involving affordable housing. These include:
- A requirement to provide affordable housing
 - A requirement to make a contribution of land or money in lieu of providing affordable housing
 - Installation of a covenant in respect of the performance of any condition
 - A condition requiring a bond securing the performance of any condition
 - Any condition must be in accordance with the purposes specified in the plan.
- 4.5 The LGNZ Bill would add a reference to affordable housing to the definition of community infrastructure in the Local Government Act. This would provide Local Authorities with the option of taking development contributions in relation to affordable housing. Any proposal to charge development contributions would be subject to the LTCCP consultation process.
- 4.6 The LGNZ Bill retains, almost intact, the provisions from the original Bill relating to the voiding of covenants that have the effect of excluding affordable housing.

5. Council Comments on the LGNZ Alternative Bill

- 5.1 In general, Council supports the alternative Bill. There are a number of matters that Council would like to see clarified and these are detailed in paragraph 5.8 below.
- 5.2 When it spoke to the Commerce Select Committee in 2007, Council said that it would welcome central government initiatives that extend the range of tools that can be used to address housing affordability concerns, subject to certain provisos. The Council said it would be interested in initiatives that:
- Offer solutions based on robust analysis including clarification from central government of local authorities powers to act in relation to affordable housing within the current legislative framework
 - Are designed to be enabling, not mandatory.
 - Do not adversely impact on the Council's ability to deliver aspects of the core infrastructure.
 - Provide assistance for councils in implementing any policy framework and clarity on how the implementation costs of any new framework would be funded.
 - Avoid transferring one element of housing affordability (construction / purchase) to another area of household expenditure (rates) - we do not believe it is appropriate for the ratepayer to solely subsidise affordable

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housing as such an approach would have an impact on all households including low income households.

- 5.2 Generally it is considered that the alternative Bill is a significant step forward from the original Bill. It would be less disruptive to existing Council processes, impose fewer constraints in terms of time and risk, and would therefore be more likely to be implemented by local authorities
- 5.3 Implementation of the original Bill would have been hampered by a number of poorly defined terms and vague concepts. Terms such as 'affordable housing', "low to moderate income" and "essential basic living costs" are vague and provide too much room for discretion. The lack of clarity on some of these key terms would make it difficult to consistently apply the Bill across different jurisdictions. The LGNZ Bill proposes to use 'Orders in Council' (issued by central government) to define the key characteristics and thresholds of affordable housing, and to specify income and equity levels used to calculate affordability. It is considered that this approach is likely to be more effective.
- 5.4 It is considered that the policy development and consultation mechanisms contained within the RMA are sufficiently robust to allow for detailed and balanced debate of issues relating to affordable housing. Similarly it is considered that the LTTCP process is sufficient to allow for appropriate debate of policies regarding development contributions for affordable housing. Councils around the country currently use these tools quite effectively to develop policy for a range of significant issues, indicating that specific legislative tools such as those put forward in the original Bill are not required. Examples include the development of policy regarding renewable energy, protection of historic heritage, protection of outstanding landscapes, and the provision of public reserves.
- 5.5 The proposal to develop policy and methods relating to affordable housing under the RMA (via the District Plan) is likely to be a far simpler approach than that contained in the original Bill. In referring to the RMA, the LGNZ Bill makes use of existing processes and mechanisms with which all Local Authorities are familiar. In terms of process, the LGNZ Bill removes much of the additional time, cost and uncertainty contained in the original Bill.
- 5.6 Developing housing affordability policy under the RMA will allow Councils to address these issues as part of a wider discussion concerning resource management. In Wellington's case this will allow Council to balance the need for affordable housing with other significant urban policies such as urban containment and residential intensification.
- 5.7 Implementing affordable housing controls through the District Plan and resource consent process (rather than the building consent process) is likely to be more effective, and will require fewer changes to Council's internal structures and processes. Using the building consent process would place the onus of implementation on an area of Council not experienced in the day-to-day interpretation of Council policy. Using the resource consent process would also make it easier for external parties who would be spared the need to adapt to a new process.

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- 5.8 However some of the Council's concerns with the original Bill also apply to the LGNZ alternative. These include:
- A lack of clarity around what is affordable housing and how is it measured? How would housing affordability be calculated? Would it simply be the purchase price, or would on-going life-cycle costs (such as maintenance costs, running costs, and social costs) be included in the evaluation? Wellington City Council is very much of the opinion that housing affordability must consider the full range of costs associated with different housing options and locations.
 - A lack of clarity or guidance on how Councils will allocate affordable housing and manage the on-going affordability of these properties.

6. Conclusion

- 6.1 Wellington City Council is supportive of LGNZ's alternative affordable housing Bill. The alternative Bill is more concise, and utilises tools and processes with which all local authorities are already familiar. It is considered that the LGNZ Bill removes many of the cost and time delays inherent in the procedures contained in the original Bill, and is therefore more likely to result in local authorities developing policy on affordable housing.

On behalf of Wellington City Council

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