

# Regulatory Impact Statement

Establishing 47 Special Housing Areas across Auckland, Tauranga, Wellington, Nelson and Queenstown under the Housing Accords and Special Housing Areas Act 2013.

## Agency Disclosure Statement

- 1 This Regulatory Impact Statement (RIS) has been prepared by the Ministry of Business, Innovation and Employment (MBIE).
- 2 It provides an analysis of options to establish 36 new SHAs and six extensions to existing SHAs in Auckland, extensions to two existing SHAs in Tauranga, and one new SHA in Wellington, Nelson and Queenstown respectively, to increase the supply of land available for residential development and help reduce pressure on land and house prices in these regions.

### *Limitation of options under the Housing Accords and Special Housing Areas Act 2013*

- 3 These SHAs will be established under the powers of the Housing Accords and Special Housing Areas Act 2013 (the Act), which came into force on 16 September 2013. The Act also limits Government's decision-making:
  - a. as a Housing Accord exists for each of these regions, the Government may only accept or decline SHAs as proposed by the territorial local authority;
  - b. the Minister for Building and Housing (the Minister) may not recommend alternative SHAs;
  - c. the Government may not agree a portion of a proposed SHA from a territorial local authority.
- 4 The options in this paper are therefore limited to approving or declining the SHAs that have been recommended by the Councils for Auckland, Tauranga, Wellington, Nelson and Queenstown.

### *Limitations of the SHA analysis*

- 5 MBIE has assessed the SHAs as meeting the SHA establishment criteria under the Act. Analysis of the expected impacts of establishing the proposed SHAs, and the extent to which they meet the criteria is based on data provided by each Council. The respective Councils have met with the developers, infrastructure providers and other stakeholders and analysed the expected impact of declaring these areas as SHAs. Our analysis of the options in this RIS assumes that these data are accurate and fully capture the expected impact of establishing these SHAs.

## Introduction

- 6 This RIS analyses the proposals to establish 36 new SHAs and six extensions to existing SHAs in Auckland, extensions to two existing SHAs in Tauranga, and one new SHA in Wellington, Nelson and Queenstown each by Orders in Council on the recommendation of the Auckland Council, Tauranga City Council, Wellington City Council, Nelson City Council and Queenstown-Lakes District Council respectively. Councils have made these recommendations to the Minister under their agreed housing accords with the Government and under the powers of the Act.

## Background

### *Housing Accords and Special Housing Areas Act 2013*

- 7 The Act is intended to boost the short-term supply of land for residential developments in areas with significant housing affordability issues. Increasing supply aims to reduce price pressures and improve housing affordability. High cost areas are identified in Schedule 1 of the Act, which identifies regions and districts that have significant housing supply and affordability issues, including Auckland, Tauranga, Wellington, Nelson and Queenstown. Once a region is identified in Schedule 1, a housing accord can be agreed between the Minister and the Council.
- 8 The Council can propose SHAs to the Minister in defined geographic areas that have the potential to deliver increased land and housing supply relatively quickly.
- 9 SHAs allow more permissive and fast-tracked consenting processes to qualifying developments in these areas that help fast-track development. They are established by the Governor-General via Order in Council on the Minister's recommendation. Before making a recommendation to establish SHAs, the Minister must have regard to existing geographic boundaries, the relevant district plan, and any relevant proposed district plan to ensure that the boundaries of the proposed SHA are clearly defined in the Order in Council and easily identifiable in practice.
- 10 The Minister must also be satisfied that the areas meet three criteria:
  - a. that adequate infrastructure to service qualifying developments in the proposed SHAs either exists or is likely to exist;
  - b. that there is evidence of demand to create qualifying developments in specific areas of the scheduled region or district; and
  - c. that there will be demand for residential housing in the proposed SHAs.
- 11 Where a housing accord exists, the Government can only identify SHAs on the Council's recommendation and the powers to grant resource consents for housing development on a more flexible basis would only be exercisable by that Council.
- 12 The Auckland Council, Tauranga City Council, Wellington City Council, Nelson City Council and Queenstown-Lakes District Council have housing accords with the Minister for Building and Housing.

### *Auckland Council's additional criteria*

- 13 When ratifying the Auckland Housing Accord, Auckland Council adopted criteria of its own for the selection of SHAs. These criteria go beyond those imposed by the Act. Auckland Council's additional criteria are intended to provide certainty and consistency of approach

so that developers are clear about what the opportunities and general requirements are. Significant criteria include:

- a. That the SHA be “located inside the notified Rural Urban Boundary or an existing applicable zone”.
- b. That “sufficient and appropriate infrastructure (physical and social) will be provided to support the development.”
- c. That the SHA must be “compatible with Proposed Auckland Unitary Plan (PAUP) provisions”.
- d. That the SHA must have “reasonable access to employment and essential services”.
- e. That the SHA has a “motivated developer ready to go, and likely to achieve early consent activation and the intended yield of sites/dwellings within the accord period.”
- f. That the proposed SHA contributes “to housing affordability either in terms of overall housing supply or pricing of the intended housing product.”

### **Problem definition**

- 14 The principal issue discussed in this RIS is whether Cabinet should agree to create 36 new SHAs and six extensions to existing SHAs recommended by Auckland Council, extensions to two existing SHAs recommended by Tauranga City Council, and one new SHA recommended by Wellington City Council, Nelson City Council and Queenstown-Lakes District Council respectively.

### **Assumptions within Data**

- 15 It should be noted that MBIE’s predictions regarding future housing demand and supply are indicative only and are based on building consent data and population projections from Statistics New Zealand.
- 16 Estimates may vary depending on factors such as completion rates of consented homes, unforeseen significant additions to the housing stock, rises in migration, and shifts within the global economy.
- 17 When estimating the demand for housing, MBIE also takes into account national census data. Trends over recent years indicate that households in dense population centres, such as Auckland, are becoming smaller. MBIE assumes that this has caused an increase in the demand for smaller, more affordable homes, but supply of this type of housing is limited (as reflected through the high shortfalls in Table 1 on the following page). As a result, families are required to purchase homes that exceed their spatial requirements and financial capacity. Implementing SHAs with affordability criteria and size limitations in areas where households are becoming smaller, such as Auckland, helps to ensure that families are able to afford housing that suits their needs.
- 18 While a housing shortage is not yet evident in Tauranga (see ‘shortfall’ predictions in Table 1 on the following page), MBIE estimates that the population within the region will grow rapidly over the next decade due to migration from Auckland. The current rate of building consents will be insufficient to meet this future demand. Establishing SHAs before the predicted spike in migration should sufficiently alleviate this issue.

<b>Table 1: Estimated Demand <sup>1</sup></b>					
	Current approx. home shortfall (range)	Approximate building consents needed annually to 2018	Approximate no of building consents (July 14 – July 15)	Potential home yield of SHAs declared to date	Approx. home yield in this proposal
Auckland	20,000-25,000	13,000	10,000	52,658	2,692-3,406
Tauranga	100	1000	1100	2,255	341
Wellington	3,800-3,900	715-1,100	577	857	10
Nelson	500	400	200	417	6
Queenstown	1,250	500	386	150	20
<b>Total</b>	<b>25,650-30,750</b>	<b>15,615-16,000</b>	<b>12,263</b>	<b>56,337</b>	<b>3,068-3,782</b>

#### *Auckland housing affordability and demand*

- 20 Pressures are continuing on the Auckland housing market due to under supply of new housing and increased demand. Housing inventory in Auckland remains low compared to demand. The city is still some way short of building the housing that it needs given an estimated accumulated shortfall of between 20,000 to 25,000 homes to date. In February 2016, the median value of a residential home in Auckland was \$925,656, almost \$140,000 more than a year earlier, a rise of approximately 17.8 per cent.
- 21 Auckland's population growth has exceeded historic peaks, driven by high net migration. In the last two years, the population has grown by 35-40,000 people per year, double its median growth over the five previous years.

#### *Tauranga housing affordability and demand*

- 22 Statistics New Zealand projects steady growth in Tauranga over the next 20 years, of between 1.4 per cent each year (medium growth scenario) and 2 per cent each year (high growth scenario). The city's population is projected to grow by between 37,500 (medium) and 54,000 people (high) in this time, largely due to migration from Auckland.
- 23 It is likely that Tauranga will need approximately 16,000-23,000 more homes to keep up with demand over the next 20 years. SHAs will assist in ensuring that the current rate of building consents issued by Tauranga City Council is sufficient to meet this future demand.

#### *Wellington housing affordability and demand*

- 24 Statistics NZ projects modest growth for the entire Wellington region. The region's population is projected to grow by between 51,800 people (medium) and 105,400 people (high) over the next 20 years.
- 25 The median price for a home in Wellington City was \$491,236 in February 2016, a 7.5 per cent increase from February 2015 (\$456,879). Assuming an average household size of

<sup>1</sup>Monthly Residential Value Index. (2016). QV.

2.5, Wellington City will need 15,000-23,000 new homes over the next 20 years, at a rate of 750-1,100 per year, depending on population growth rates. Over the last five years, approximately 560 residential homes have received a building consent each year. This suggests supply has fallen about 1,000 homes short of projected demand during the last five years. As evidenced by their inclusion on Schedule 1 of the Act, much of greater Wellington is also considered unaffordable including the Kapiti Coast District, Porirua City, Hutt City and Upper Hutt District Councils. This places pressure on affordability throughout the region.

- 26 Wellington City Council adopted an Urban Development Strategy in 2006. The strategy assumes that the city's population will increase by 50,000 people over the next 20 years and that there will be a need for 15,000 more homes over the next 20 years (750 per year). It also assumes declining household size, an ageing population, and increasing demand for higher density housing. The increased density required by this plan makes brownfield intensification and infill development critical factors for its success.

#### *Nelson housing affordability and demand*

- 27 Nelson City has a steady demand for new housing due to both a growing population, driven by positive net migration and natural increase, and an ageing population, which is driving a trend towards more one and two-person households.
- 28 Nelson's population experienced a median annual growth rate of 1.1% between 2006 and 2013, and projections are for the population to grow by 0.7% annually over the next ten years. The current rate of building consents issued by Nelson City Council indicates housing supply is likely to be insufficient to meet future demand (as shown in table 1).
- 29 In February 2016, a residential home in Nelson was valued at a median of \$439,741, an increase of \$30,000 on the previous year, a rise of approximately 7.7 per cent.

#### *Queenstown housing affordability and demand*

- 30 By 2030, Queenstown's population of 32,000 is estimated to double in size. This makes Queenstown New Zealand's fastest growing district, with a growth rate of 2.7 per cent. To keep up with this demand, Queenstown will need 500 new homes per annum. However, over the five years prior to the Accord being signed, a median of 386 building consents per annum had been issued for new residential homes across the District. SHAs will assist in ensuring that the current rate of building consents issued by Queenstown-Lakes District Council is sufficient to meet this future demand.
- 31 The median price for a home in Queenstown was \$810,980 in March 2016, a 13.3 per cent increase from March 2015 (\$715,717). Figures suggest that home ownership is unaffordable for residents in the Queenstown-Lakes district, as median income is low while prices for a home are the second highest in New Zealand. A resident will spend 101.8 per cent of the median weekly take-home pay to meet the weekly mortgage payment on a median-priced home.

### **Objectives**

- 32 The over-arching objective of these SHAs is to increase the supply of land for housing in the constrained Auckland, Tauranga, Wellington, Nelson and Queenstown housing markets and reduce upward pressure on the cost of homes.
- 33 A further objective of establishing these SHAs is to give effect to the Auckland, Tauranga, Wellington, Nelson and Queenstown Housing Accords, and the Act.

## Options and impact analysis

- 34 Cabinet may choose to approve or decline the options put forward by the Auckland, Tauranga, Wellington, Nelson and Queenstown-Lakes Councils. Both options are predicated on the assumption that the Councils have supplied full and accurate data and analysis with respect to the expected impact of declaring these SHAs and the extent to which the identified areas meet the criteria set out in the Housing Accords and Special Housing Areas (HASHA) Act.
- 35 The SHA status will enable faster development and faster supply to occur which will help to alleviate price pressures on homes. Increased consenting pace, reduced holding costs and altered decision-making criteria will also increase the attractiveness of previously marginal development opportunities, resulting in new supply that may not occur without the SHA opportunity.
- 36 The Act does not oblige the Minister to recommend an Order in Council establishing the SHAs proposed by the accord territorial authorities.<sup>2</sup> In areas where a housing accord is in place, the Minister is prevented from recommending alternative SHAs.

### Auckland SHAs

- 37 The SHAs that Auckland Council has recommended have a projected long term yield of 2,692 to 3,406 homes on 243.44 hectares of land. A majority of these SHAs will be subdivided under the Act in order to release more housing land and product to the market.
- 38 The table below summarises the additional area and yield that will result from the proposed SHAs.

SHA name	Type	Approx. size (ha)	Approx. yield	Minimum # of homes per qualifying development
1. Manukau Road, Epsom	Brownfield	0.15	32-36	2
2. Soljak Place (1187-1189 New North Road), Mount Albert (Crown Land Development)	Brownfield	0.49	60	4
3. New North Road, Kingsland	Brownfield	0.14	50	4
4. Fontenoy Street, Mt Albert	Brownfield	0.93	50	4
5. Hendon Avenue, Owairaka	Brownfield	0.97	64	4
6. Lake Road, Narrow Neck	Brownfield	0.13	6	4
7. Clarks Beach Road, Clarks Beach	Greenfield	50.8	100-120	4
8. Quarry Road, Drury	Greenfield	159.1	400-1,000	50
9. Don Buck Road, Massey Cluster	Brownfield	0.5	100	50
10. Te Atatu Road, Te Atatu South	Brownfield	0.71	101	4

<sup>2</sup> Section 16(5)

<b>(Cont'd.) SHA name</b>	<b>Type</b>	<b>Approx. size (ha)</b>	<b>Approx. yield</b>	<b>Minimum # of homes per qualifying development</b>
11. Border Road, Henderson	Brownfield	0.58	23	4
12. Reverie Place, Massey	Brownfield	1.95	112	4
13. Riverpark Crescent, Henderson	Brownfield	0.14	6	4
14. Taranui Place, Henderson	Brownfield	0.19	9	4
15. Beach Road, Browns Bay	Brownfield	0.5	64	4
16. George Lowe Place, Orewa	Brownfield	0.69	122	4
17. Whitford Road, Northpark	Brownfield	0.14	6	4
18. Birkdale Cluster	Brownfield	1.32	60	4
19. Mangere East Cluster	Brownfield	4.22	141	4
20. Mangere Cluster	Brownfield	0.34	16	4
21. Domain Road, Panmure	Brownfield	0.1	23	4
22. Onehunga Mall, Onehunga	Brownfield	0.31	48	4
23. Princes Street, Onehunga	Brownfield	0.38	96	4
24. Spring Street, Onehunga	Brownfield	1.29	200	4
25. Brookfield Avenue, Onehunga	Brownfield	0.78	57	4
26. Lynton Road, Mt Wellington	Brownfield	0.31	60	4
27. Victoria Street, Onehunga	Brownfield	0.14	12	4
28. McLean Avenue, Papatoetoe	Brownfield	0.16	8	4
29. Papakura Cluster	Brownfield	0.43	21	4
30. Mount Albert Road, Royal Oak	Brownfield	1.22	50	4
31. Freeland Avenue, Mt Roskill Cluster	Brownfield	1.13	64	4
32. Morrie Laing Avenue, Mt Roskill Cluster	Brownfield	2.69	100	4
33. Woodglen Road, Glen Eden	Brownfield	0.6	32	4
34. Newton Cluster	Brownfield	0.26	84	4
35. Great North Road, Grey Lynn	Brownfield	0.17	52	4
36. Nikau Street, New Lynn	Brownfield	0.12	8	4
<b>Extensions to existing SHAs:</b>				
37. Waterview Cluster (Extension)	Brownfield	1.2	60-100	4

<b>(Cont'd.) SHA name</b>	<b>Type</b>	<b>Approx. size (ha)</b>	<b>Approx. yield</b>	<b>Minimum # of homes per qualifying development</b>
38. Bute Road, Browns Bay (Extension)	Brownfield	0.26	36	4
39. West Hoe Heights, Orewa (Extension)	Greenfield	3.9	15-20	50
40. Manurewa Cluster (Extension)	Brownfield	2.8	119	4
41. Meadowbank Road (Extension)	Brownfield	0.06	0	4
42. St Georges Road, Avondale (Extension)	Brownfield	1.05	25-70	4
<b>TOTAL:</b>		<b>243.45</b>	<b>2,692-3,406</b>	

- 39 The Council have analysed the proposed SHAs against the factors the Minister must have regard to under the Act, as outlined in paragraph 10 above, and deem that the SHAs satisfy this criteria sufficiently.
- 40 This assessment shows a clear demand in all instances, based on actual and projected population growth, and the percentage increase in house prices in adjacent areas in recent years.
- 41 For the proposed 42 SHAs (including six extensions to existing SHAs) in Auckland:
- a. Information from Auckland Council and the New Zealand Transport Agency (NZTA) indicates only two of the 42 SHAs, Clarks Beach Road and Quarry Road, do not currently have adequate transport infrastructure. Measures are currently being discussed to mitigate these concerns and will require the developer to service the qualifying developments. Auckland Council has stated that concerns will be addressed at the qualifying development stage of the consenting process.
  - b. The Ministry of Education (MoE) has indicated that 17 of the proposed SHAs would place strain on nearby schools upon their completion. As part of a broader Auckland education network, MoE is looking at ways of meeting rising demand, including planning for new schools in high growth areas. The Council is confident that there will be sufficient schooling capacity to support the SHAs upon their completion.
  - c. Auckland Council has advised that significant interest from developers is sufficient evidence of demand to create qualifying developments in 40 of the proposed SHAs. While a development partner has not yet been selected for the Soljak Place (1187-1189 New North Road), Mt Albert SHA or the Waterview Cluster Extension, MBIE are confident that consents will be lodged by September, as these areas are part of the Crown Land Development Programme.
  - d. Auckland Council has also advised that strong interest and demand in adjacent areas is sufficient evidence of demand for residential housing.
  - e. There are concerns regarding the current capacity of stormwater or wastewater infrastructure in 41 of 42 SHAs. Auckland Council is confident that, with planned onsite mitigation and/or local upgrades, SHA developments are unlikely to produce major adverse effects.

- 42 The Crown has an interest in 23 of the proposed Auckland SHAs. Of these SHAs, 21 are owned and will be developed by Housing New Zealand Corporation, while the Soljak Place (1187-1189 New North Road), Mount Albert and the Waterview Cluster Extension are part of the Auckland Crown Land Programme.
- 43 These SHAs meet the establishment criteria under the Act, so it would be difficult to justify declining them on policy or legislative grounds. Declining the SHAs would undermine the Government's working relationship with Auckland Council, which may negatively affect the efficiency of the transition from the HASHA Act to the implementation of the Auckland Unitary Plan in mid-216.
- 44 Supporting the 42 Auckland SHA proposals contributes to the objective of increasing housing supply.

#### *Tauranga SHAs*

- 45 The SHAs that Tauranga City Council has recommended have a projected long term yield of approximately 341 homes on 27.15 hectares of land. They are extensions to two existing SHAs. The Palm Springs extension continues south of the existing SHA, down to Te Okuroa Drive. The Golden Sands extension covers an area (known as Area Five) adjacent to the existing Golden Sands SHA, and covers a new land title.
- 46 The table on the following page summarises the additional area and yield that will result from proposed SHA extensions.

<b>Table 3: Proposed Tauranga Special Housing Area Extensions</b>				
<b>SHA name</b>	<b>Type</b>	<b>Approx. size (ha)</b>	<b>Approx. yield</b>	<b>Minimum # of homes per qualifying development</b>
Palm Springs, Papamoa East (Extension)	Greenfield	5.69	68	1
Golden Sands, Papamoa East (Extension)	Greenfield	21.46	273	At least 15 dwellings per hectare of nett developable area
<b>Total</b>		<b>27.15</b>	<b>341</b>	

- 47 The Council have analysed the proposed SHAs against the factors the Minister must have regard to under the Act, as outlined in paragraph 10 above, and deem that the SHAs satisfy this criteria sufficiently.
- 48 This assessment shows a clear demand in all instances, based on actual and projected population growth, and the percentage increase in house prices in adjacent areas in recent years.
- 49 For the proposed SHA extension sites in Tauranga:

- a. NZTA have reviewed the SHA proposals and note that, while exceeding the environmental capacity set in the City Plan, traffic volumes will still be within the area's physical capacity. It has been recommended that minor traffic management improvements are made prior to the implementation of the Golden Sands SHA, including the implementation of a roundabout, road remarking, and the creation of pedestrian islands along Papamoa Beach Road. Council has indicated that these traffic management improvements will be in place by the time the two SHAs (including the extensions recommended) have been completed.
  - b. MoE has not made any adverse comments to the Council on these proposed SHAs.
  - c. The two SHAs do not pose a threat to the area's water management infrastructure. A new pump station in the Wairakei will be under construction from 2016 to 2018, which will improve the provision of wastewater infrastructure for the Papamoa East area. Local stormwater capacities have also been expanded due to recent amendments to Tauranga's Comprehensive Stormwater Catchment Consents.
  - d. Significant interest from developers is sufficient evidence of demand to create qualifying developments.
  - e. Strong interest and demand in adjacent areas is sufficient evidence of demand for residential housing.
- 50 The new SHAs meet the establishment criteria under the Act, so it would be difficult to justify declining them on policy or legislative grounds. Declining the SHAs would also undermine the Government's working relationship with the Tauranga City Council.
- 51 Supporting the Tauranga SHA proposals contributes to the objective of increasing housing supply.

*Wellington SHA*

- 52 The SHA that Wellington City Council has recommended has a projected long term yield of approximately 10 homes on 0.1753 hectares of land.
- 53 The table below summarises the additional area and yield that will result from proposed SHA.

<b>Table 4: Proposed Wellington Special Housing Area</b>				
<b>SHA name</b>	<b>Type</b>	<b>Approx. size (ha)</b>	<b>Approx. yield</b>	<b>Minimum # of homes per qualifying development</b>
Abbott Street	Brownfield	0.18	10	2

- 54 The Council have analysed the proposed SHA against the factors the Minister must have regard to under the Act, as outlined in paragraph 10 above, and deem that the SHA satisfies this criteria sufficiently.
- 55 This assessment shows a clear demand in all instances, based on actual and projected population growth, and the percentage increase in house prices in adjacent areas in recent years.
- 56 For the proposed SHA site in Wellington:

- a. NZTA has confirmed that they have no objections to the SHA proposal, and that adequate transport infrastructure exists to support its development. MoE concludes that there are no obvious impacts from this SHA that the local schooling network would not be able to manage.
  - b. Wellington Water has not identified any barriers to development. Site investigations will be carried out to determine the precise capacity of infrastructure to the site, and to determine any upgrades that the developer will be required to make in order to service the requisite Council standard.
  - c. Significant interest from developers is sufficient evidence of demand to create qualifying developments.
  - d. Strong interest and demand in adjacent areas is sufficient evidence of demand for residential housing.
- 57 The new SHA meets the establishment criteria under the Act, so it would be difficult to justify declining it on policy or legislative grounds. Declining a SHA would also undermine the Government's working relationship with the Wellington City Council.
- 58 Supporting the Wellington SHA proposal contributes to the objective of increasing housing supply.

*Nelson SHA*

- 59 The SHA that Nelson City Council has recommended has a projected long term yield of approximately six homes on 0.0688 hectares of land.
- 60 The table below summarises the additional area and yield that will result from proposed SHA.

<b>Table 5: Proposed Nelson Special Housing Area</b>				
<b>SHA name</b>	<b>Type</b>	<b>Approx. size (ha)</b>	<b>Approx. yield</b>	<b>Minimum # of homes per qualifying development</b>
Beach Road	Brownfield	0.07	6	4

- 61 The Council have analysed the proposed SHAs against the factors the Minister must have regard to under the Act, as outlined in paragraph 10 above, and deem that the SHAs satisfy this criteria sufficiently.
- 62 This assessment shows a clear demand in all instances, based on actual and projected population growth, and the percentage increase in house prices in adjacent areas in recent years.
- 63 For the proposed SHA site in Nelson:
- a. Current downstream stormwater capacity is not sufficient to support the SHA. However, the developer will provide onsite measures and explore potential off-site measures to offset any additional flows created by the development. Council is confident that these measures will be established prior to the completion of the SHA.
  - b. The site is located close to Tahunanui town centre. It is surrounded by urban development, and has access to open space and reserves. Both NZTA and MoE confirm that sufficient infrastructure capacity exists to support the SHA.

- c. Significant interest from developers is sufficient evidence of demand to create qualifying developments; and
- d. Strong interest and demand in adjacent areas is sufficient evidence of demand for residential housing.

64 This SHA meets the establishment criteria under the Act, so it would be difficult to justify declining it on policy or legislative grounds. Declining the SHA would also undermine the Government’s working relationship with the Nelson City Council.

65 Supporting the Nelson SHA proposal contributes to the objective of increasing housing supply.

*Queenstown SHA*

66 The SHA that Queenstown-Lakes District Council has recommended has a projected long term yield of approximately 20 homes on 1.169 hectares of land.

67 The table below summarises the additional area and yield that will result from proposed SHA.

<b>Table 6: Proposed Queenstown Special Housing Area</b>				
<b>SHA name</b>	<b>Type</b>	<b>Approx. size (ha)</b>	<b>Approx. yield</b>	<b>Minimum # of homes per qualifying development</b>
Onslow Road	Greenfield	1.17	20	4

68 The Council have analysed the proposed SHAs against the factors the Minister must have regard to under the Act, as outlined in paragraph 10 above, and deem that the SHAs satisfy this criteria sufficiently.

69 This assessment shows a clear demand in all instances, based on actual and projected population growth, and the percentage increase in house prices in adjacent areas in recent years.

70 For the proposed SHA site in Queenstown:

- a. Queenstown-Lakes District Council reports that updates will be necessary to local stormwater and water supply in order to support this SHA. A Deed of Agreement has been established between the developer and Queenstown-Lakes District Council confirming the responsibilities for the provision and funding of these infrastructure upgrades. Council considers that these matters will be adequately dealt with before the time of the resource consent application.
- b. Road access to the SHA site is limited, and will also be amended under the established Deed of Agreement.
- c. MoE has not made any adverse comments to Council on these proposed SHAs.
- d. Significant interest from developers is sufficient evidence of demand to create qualifying developments.
- e. Strong interest and demand in adjacent areas is sufficient evidence of demand for residential housing.

- 71 This SHA meets the establishment criteria under the Act, so it would be difficult to justify declining it on policy or legislative grounds. Declining the SHA would also undermine the Government's working relationship with the Queenstown-Lakes District Council.
- 72 Supporting the Queenstown SHA proposal contributes to the objective of increasing housing supply.

## Benefits and costs

### *Benefits*

- 73 The principal benefit in establishing SHAs is that they will lead to an increase in the supply of housing in Auckland, Tauranga, Wellington, Nelson and Queenstown. This is due to increasing the pace at which any pre-planned projects can be developed and reducing the costs of development, consequently easing pressure on the housing markets in Auckland, Tauranga, Wellington, Nelson and Queenstown.
- 74 The primary mechanisms for encouraging new, accelerated and more affordable supply include:
- a. allowing developers to access more enabling development provisions in the proposed SHA, to increase housing supply by making more efficient use of existing land and infrastructure through redevelopment at higher densities;
  - b. providing developers and landowners within the proposed SHAs with a shorter, less expensive and more certain planning and consenting process; and
  - c. altering council decision-making criteria to weight it toward the outcome of housing affordability;
  - d. the following incentives for developers in the Auckland region:
    - i. a fast-track consenting process: 3 months for brownfield and 6 months for greenfield qualifying development applications, with limited notification and appeals;
    - ii. a proactive council pre-application process; and
    - iii. a one-stop shop for applications to Auckland Council including dedicated account managers and a multi-disciplinary approach.
- 75 These mechanisms within SHAs will reduce construction costs and contribute towards lower prices of homes. It provides opportunities for developers to build at a scale and density that they might otherwise avoid due to regulatory cost and uncertainty. It also increases competition in the residential development sector by opening up more development opportunities.
- 76 The decision-making criteria under the Act, which favours improving housing affordability, give Councils a more permissive space to make exceptions to District Plan rules such as density, site coverage and shadowing constraints. This will increase the attractiveness of previously marginal development opportunities, resulting in new or increased supply that may not have occurred without the SHA opportunity. It should be noted that higher density development is not necessarily of inferior design, and the Councils retain their interest in encouraging attractive urban form.
- 77 By themselves, the proposed SHAs (and extension) in Auckland, Tauranga, Wellington, Nelson and Queenstown currently under consideration do not represent a significant increase in housing supply. An isolated analysis of their specific impacts on housing objectives would be impractical, and has therefore not been attempted. Nevertheless, these areas contribute to the broader cumulative benefits generated by all SHAs over time.

78 We note that the Act does not affect the need for new buildings to meet the building code requirements under the Building Act, and there will therefore be no compromise in minimum build quality associated with the establishment of the SHAs.

### *Costs*

79 The underlying premise of the Act is that the need for additional or accelerated housing supply in Auckland, Tauranga, Wellington, Nelson and Queenstown, and the public benefits that arise from that, outweigh the marginal cost of removing or reducing standard community consultation processes under the RMA. The main cost of establishing SHAs is that it reduces the ability for communities and existing residents to influence the scale and design of what gets built in their neighbourhoods. This trade-off was considered at a high level during the drafting and passage of the Act.

80 Some upgrades will be required in terms of water and wastewater infrastructure and the bulk of the costs will be borne by the developer and included in house prices.

81 MoE has indicated there is limited roll capacity in central Auckland and is responding to meet the needs of population growth in general, including SHAs. MoE also notes that continued roll growth throughout Auckland is straining available resources, and is looking at ways of meeting rising demand, including planning for new schools in high growth areas.

### *Risks*

82 The risks associated with establishing these SHAs are limited as the conditions necessary for establishing an effective SHA are present, such as sufficient infrastructure and interest from developers.

83 It is anticipated that, should a SHA site satisfy the criteria outlined in paragraph 10, local communities and the wider public will support the developments proposed in this document. However, since consultation with the public is not required of councils, it is possible that there will be public opposition to the implementation of a specific SHA. This may be noted in the sites recommended by Nelson and Queenstown as neither Council widely consulted with the public in their most recent proposals.

84 Overall, MBIE consider that the benefits of establishing these SHAs outweigh the costs and risks.

### **Consultation**

85 MBIE has sought a peer review of the land descriptions and maps of the SHAs in anticipation of their incorporation into an Order in Council.

86 Councils have consulted with infrastructure providers as they see appropriate. MBIE is reliant on these Council consultation processes and their assessment of stakeholder views.

87 Council are not obligated to offer consultation opportunities to local communities or the wider public prior to recommending a SHA. It is predicted that, should a SHA site satisfy the criteria outlined in paragraph 10, public support for the development will exist.

### *Auckland assessment*

- 88 Before recommending the 36 proposed SHAs and six SHA extensions, Auckland Council engaged with infrastructure providers, iwi and local boards. Although Auckland Council did not consult with the wider public on these particular proposals, it has consulted on similar proposals as part of its work on the Proposed Auckland Unitary Plan and this has informed its considerations.
- 89 Local Boards of 22 of the proposed SHA sites in Auckland are opposed to those sites being granted SHA status. The Boards' concerns stem from the lack of infrastructure, particularly the added pressure on the transport network, local schooling capacity, and water management systems. Receiving approval from the Local Board on proposed SHAs is not a requirement in the Act.
- 90 Auckland Council has considered these concerns and has indicated that sufficient infrastructure will exist before or during development of the site.
- 91 Auckland Council widely consulted on treaty land covered by the proposed SHAs. This engagement has informed Auckland Council's view that there are no known iwi issues for the proposed SHAs.

### *Tauranga assessment*

- 92 Tauranga City Council publicly advertised consultation information regarding the SHA extension proposals, and held public open days and meetings for submitters to present submissions. Tauranga City Council has advised that the key issues relevant to the SHAs have been addressed.
- 93 Tauranga City Council has consulted iwi with specific interest in the Papamoa East and indicates that iwi are generally supportive towards the proposed SHAs. No opposition has been received from the Tangata Whenua Collective (an autonomous body made up of 15 representatives from each of the hapu and iwi in the Tauranga City Council area).

### *Wellington assessment*

- 94 Wellington City Council has consulted extensively over the past decade on its Urban Development Strategy and local growth frameworks, and is consulting on a revised Urban Growth Plan that contains some of those areas previously identified. Before recommending the proposed Abbott Street SHA, Wellington City Council engaged with infrastructure providers and local boards. Wellington City Council has advised that there are no known iwi issues with the site.

### *Nelson assessment*

- 95 Nelson City Council consulted with infrastructure providers prior to its site recommendation, but has not indicated that any specific public consultation has been undertaken in relation to the proposed SHA.

### *Queenstown assessment*

- 96 Queenstown-Lakes District Council consulted with infrastructure providers prior to its site recommendation, but has not indicated that any specific public consultation has been undertaken in relation to the proposed SHA.

## **Conclusions and recommendations**

- 97 The overall conclusion is that approving the SHAs in Auckland, Tauranga, Wellington, Nelson and Queenstown recommended by the respective Councils best meets the objective of giving effect to the Act, and the Auckland, Tauranga, Wellington, Nelson and

Queenstown Housing Accords. Of the two options assessed, approving the SHAs is most likely to result in an increase in the supply of land for which there is adequate infrastructure and evidence of demand and is therefore the option most likely to result in an increase in housing supply to help meet the projected population growth in Auckland, Tauranga, Wellington, Nelson and Queenstown.

## Implementation plan

- 98 If Cabinet makes the decision to confirm the recommendation of the Minister, the Order in Council will be gazetted. Responsibility for successful implementation of SHAs then rests with Councils using their existing consenting functions.
- 99 If the SHAs are agreed, the Councils will start considering resource consent applications in the SHAs under the criteria set in the Order and relevant accord where applicable with the fast tracked process outlined above.

## Monitoring and review

- 100 Each housing accord is governed by two joint committees:
- a. Joint Housing Steering Group: comprising the relevant Mayor and Deputy Mayor and the Minister for Building and Housing; and
  - b. Officials Working Group: comprising senior officials from MBIE and the relevant Council. Representatives from NZTA often attend these meetings.
- 101 These committees are tasked with monitoring and reviewing SHAs to ensure that they are delivering increased supply in the constrained local housing market.
- 102 The Officials Working Group is responsible for the creation of regular monitoring reports which provide comprehensive data on building consents (including location, and ratio of apartments, flats, townhouses and detached homes) and housing accord targets. Data is also provided on house sales prices, growth in consented home land prices and master planning activity, and the number of completed homes resulting from SHAs, including the speed of delivery.
- 103 Each of the Auckland, Tauranga, Wellington, Nelson and Queenstown Housing Accords has Accord targets. These targets are outlined in Annex 1.

### *Auckland*

- 104 Auckland Council has also established a system that tracks the progress of each SHA and provides data on due diligence, council approval, gazettal, yield, lodgement of pre-applications, plan variations, qualifying developments, and activity status.
- 105 These measures allow the Officials Working Group to closely monitor and review the implementation of the SHAs and report back to the Joint Housing Steering Group with any required changes.

### *Tauranga*

- 106 Development progress within these SHAs will be reported in the annual monitoring reports, including the number of consent applications and progress against Accord targets.
- 107 It is not intended that SHA-enabled home sales are considered within monitoring reports, rather the reports will take a whole-of-market view to determine whether the use of SHAs has been effective in easing pressure on the housing market.

### *Wellington*

- 108 Development progress within each SHA will be reported by Wellington City Council in the six-monthly monitoring reports, including the number of consent applications and progress against accord targets. Wellington City Council has delivered a more detailed monitoring system for completed homes, based on completion certificates for building consents in SHAs. In the future, this will give a better indication of the overall performance of SHAs; however it is currently too early to draw any meaningful conclusions from the data at this time.
- 109 It is not intended that SHA-enabled home sales are considered within monitoring reports, rather the reports will take a whole-of-market view to determine whether the use of SHAs has been effective in easing pressure on the housing market.
- 110 These measures allow the Officials Working Group to closely monitor and review the effectiveness of the SHAs and report back to the Joint Housing Steering Group with any required changes.

### *Nelson*

- 111 As required in the Accord's priority actions, Nelson City Council has established a Development Advisory Group (the Group) with the purpose of guiding the development and infrastructure work stream of the Nelson Resource Management Plan review. The Group will discuss issues of common interest on housing, land supply, infrastructure provision and Council consenting processes. It will also assist with providing advice on establishing SHAs.
- 112 The Group will consider and provide feedback on how Council and developers can collaborate to bring a continuous supply of housing and land to market to meet the goals set out under the Accord.

### *Queenstown*

- 113 Queenstown-Lakes District Council has established a Steering Group to meet bi-annually to monitor and review the implementation and effectiveness of this Accord. The Working Group meet as appropriate to review progress in implementing the Accord, review progress towards Accord targets, and discuss and agree other areas of joint action or information sharing.

## **Evaluation**

- 114 SHAs and Housing Accords are only one of a range of measures implemented by the Government to improve housing affordability. Due to the interlinkages between these measures, as well as external factors, Housing Accords are being evaluated as part of a total package of affordable housing measures.

## Annex 1: Housing Accord targets

### Auckland

Total number of sections and homes consented		
Year 1	Year 2	Year 3
9,000	13,000	17,000
<b>Cumulative total of homes to be produced under HASHA: 29,000</b>		

### Tauranga

	Target	Current baseline
<b>Special Housing Areas</b>	The section/dwelling capacity of land released for development by Special Housing Area declaration under the Tauranga Housing Accord is at least 1,000 in total over Year 1 and 2 of the Accord, with at least 400 in Year 1	
	The average home size delivered within land released for development by the Housing Accord is at least 10% less than the average home size for new homes in the City [over the period 2009 to 2014]	The average floor area of new homes in Tauranga between 2009 and 2014 was approximately 189m <sup>2</sup>
	The average section size delivered within land released for development by the Housing Accord is no greater than 500m <sup>2</sup>	The average size <sup>3</sup> of residential sections completed in greenfield urban growth areas in Tauranga between 2009 and 2014 was 609m <sup>2</sup>
<b>All of Tauranga</b>	That no less than the current supply of undeveloped zoned and serviced greenfield residential capacity is maintained through the rezoning and servicing of additional land for development.	At June 2013 there was undeveloped zone and serviced capacity for approximately 8,000 additional residential sections.

<sup>3</sup> This measure excludes infill subdivisions, multi-unit development, retirement villages and changes of tenure

### Wellington

<b>Total number of sections and homes consented<sup>4</sup></b>				
<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
1,000	1,500	1,500	1,500	1,500
<b>Cumulative total of homes to be produced under HASHA: 7,000</b>				

### Nelson

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Yield of serviced residential lots from zoned land</b>	100	100	100
<b>Total homes consented</b>	240	240	240
<b>Cumulative total of homes to be produced under HASHA: 720</b>			

### Queenstown

<b>Total number of sections and homes consented<sup>5</sup></b>		
<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
350	450	500
<b>Cumulative total of homes to be produced under HASHA: 13,000</b>		

---

<sup>4</sup> Sections measured at point of resource consent and homes measured at building consent.

<sup>5</sup> Sections measured at point of resource consent and homes measured at building consent.