

# Section 32 Evaluation Report

## Part 2: Assisted Housing

**PLEASE NOTE:**

- This section 32 report was prepared prior to the Wellington City Council Pūroro Āmua Planning & Environment Committee on 23 June 2022.
- In approving the Proposed District Plan for notification, the Committee made the following resolution in relation to assisted housing:  
  
*“Agree to remove the assisted (affordable) housing chapter from the notified District Plan and instead investigate the use of a targeted rate on land in identified growth areas of the city where additional height has been enabled by the PDP to fund an assisted (affordable) housing fund as part of the wider review of the Rating Policy.”*
- As a result of this amendment the Assisted Housing Chapter has been removed from the Proposed District Plan. Large parts of this Evaluation Report are therefore no longer relevant.
- Assisted housing remains a relevant consideration in the application of the City Outcomes Contributions policy which applies to over-height buildings in the Centres Zones and the High Density Residential Zone.
- This Section 32 report remains relevant in support of the evaluation and implementation of the City Outcomes Contributions policy.

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## Table of acronyms

<b>Abbreviation</b>	<b>Full term</b>
AH	Assisted Housing
GWRC	Greater Wellington Regional Council
MfE	Ministry for the Environment
NES	National Environmental Standards
NPS	National Policy Statements
NPS-UD	National Policy Statement for Urban Development 2020
ODP	Operative District Plan
PDP	Proposed District Plan
PNRP	Proposed Natural Resources Plan
RMA	Resource Management Act
RPS	Regional Policy Statement for the Wellington Region 2013

## 1.0 Overview and Purpose

### 1.1 Introduction to the resource management issue/s

This section 32 evaluation report is for the Assisted Housing Chapter of the Proposed District Plan (the Plan). The purpose of the Assisted Housing Chapter is to apply two methods to address the deficit of retained affordable housing in Wellington City:

- Adding assisted housing as a city outcome contribution to consider when assessing over-height buildings in the High Density Residential Zone and the Centres Zones.
- Financial contributions towards assisted housing from development in areas with significant overall and proportional increases in building height limits.

## 2.0 Strategic Direction

The following objectives in the Strategic Direction chapter of the Plan that are relevant to this issue/topic are:

<b>CC-02</b>	<b>Capital City</b>
Wellington City is a well-functioning Capital City where: 2. Current and future residents can meet their social, cultural, economic and environmental wellbeing.	
<b>CC-03</b>	<b>Capital City</b>
Development is consistent with and supports the achievement of the following strategic City goals: 4. Inclusive and Connected: Wellington recognises and fosters its identity by supporting social cohesion and cultural diversity, and has world-class movement systems with attractive and accessible public spaces and streets.	
<b>UFD-03</b>	<b>Urban Form and Development</b>
Medium to high density and assisted housing developments are located in areas that are: <ol style="list-style-type: none"><li>1. Connected to the transport network and served by multi-modal transport options; or</li><li>2. Within or near a Centre Zone or other area with many employment opportunities; and</li><li>3. Served by public open space and other social infrastructure.</li></ol>	
<b>UFD-05</b>	<b>Urban Form and Development</b>
A variety of housing types, sizes and tenures, including assisted housing and papakāinga options, are available across the City to meet the community's diverse social, cultural, and economic housing needs.	

An evaluation of these objectives is contained in the companion Section 32 Evaluation Overview Report.

## 3.0 Regulatory and policy direction

In carrying out a s32 analysis, an evaluation is required of how the proposal achieves the purpose and principles contained in Part 2 of the RMA.

Section 5 sets out the purpose of the RMA, which is to promote the sustainable management of natural and physical resources.

Sustainable management ‘means managing the use, development, and protection of natural and physical resources to enable people and communities to provide for their social, economic and cultural wellbeing and for their health and safety, while -

- (a) sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations; and
- (b) safeguarding the life-supporting capacity of air, water, soil, and ecosystems; and
- (c) avoiding, remedying, or mitigating any adverse effects of activities on the environment’.

In achieving this purpose, all persons exercising functions and powers under the RMA also need to:

- Recognise and provide for the matters of national importance identified in s6
- Have particular regard to the range of other matters referred to in s7
- Take into account the principles of the Treaty of Waitangi/Te Tiriti o Waitangi in s8.

### 3.1 Section 6

There are no s6 matters relevant to this topic.

### 3.2 Section 7

The s7 matters that are relevant to this topic are:

Section	Relevant Matter
7(c)	The maintenance and enhancement of amenity values  Assisted housing is a physical quality of an area that contributes to people’s appreciation of its cultural attributes. This is an amenity value defined in the RMA.

### 3.3 Section 8

Section 8 states: *In achieving the purpose of this Act, all persons exercising functions and powers under it, in relation to managing the use, development, and protection of natural and physical resources, shall take into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi).*

The Treaty of Waitangi principles that have greatest relevance to the Wellington City Council, and how they apply to this topic, are below.

**Partnership:** The Council is proposing to set up an independent panel for decisions on the distribution of loans and grants from the financial contributions fund. Iwi representative(s) will be on this panel. This process is not set out in the Plan provisions, as it is a non-statutory administration of the fund resulting from financial contributions.

**Participation:** Iwi authorities and other iwi organisations are eligible to manage assisted housing in the Plan. They can apply to receive funds from financial contributions to supply assisted housing.

**Protection:** Māori in Wellington City are affected worse than by unaffordable housing than the average resident. Māori in Wellington City have low home ownership rates (38% in 2013). Most Māori renters report cold, damp homes (as do many non-Māori). Downtown Community Ministries reports that Māori is the most common ethnicity of homeless people they serve.

Increasing the supply of assisted housing should help some Māori into more secure, quality accommodation.

### 3.4 National Direction

#### 3.4.1 National Policy Statements

There are five National Policy Statements (NPS) currently in force:

- NPS for Electricity Transmission 2008
- New Zealand Coastal Policy Statement 2010
- NPS for Renewable Electricity Generation 2011
- NPS for Freshwater Management 2020
- NPS on Urban Development 2020

The instrument/s and associated provisions relevant to this topic are:

NPS	Relevant Objectives / Policies
NPS-UD 2020	Objective 1: New Zealand has 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.
NPS-UD 2020	Objective 4: New Zealand's urban environments, including their amenity values, develop and change over time in response to the diverse and changing needs of people, communities, and future generations.
NPS-UD 2020	Objective 5: Planning decisions relating to urban environments, and FDSs, take into account the principles of the Treaty of Waitangi (Te Tiriti o Waitangi).
NPS-UD 2020	Policy 1: Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum:  (a) have or enable a variety of homes that:  (i) meet the needs, in terms of type, price, and location, of different households; and  (ii) enable Māori to express their cultural traditions and norms; and  (c) have good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport; and  (d) support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets;
NPS-UD 2020	Policy 6: When making planning decisions that affect urban environments, decision-makers have particular regard to the following matters:  (c) the benefits of urban development that are consistent with well-functioning urban environments (as described in Policy 1)
NPS-UD 2020	Policy 9: Local authorities, in taking account of the principles of the Treaty of Waitangi (Te Tiriti o Waitangi) in relation to urban environments, must:

	(b) when preparing RMA planning documents and FDSs, take into account the values and aspirations of hapū and iwi for urban development;
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### 3.4.2 Proposed National Policy Statements

In addition to the five NPSs currently in force there are also two proposed NPSs under development, noting that these are yet to be issued and have no legal effect:

- Proposed NPS for Highly Productive Land
- Proposed NPS for Indigenous Biodiversity

### 3.4.3 National Environmental Standards

In addition to the NPSs there are nine National Environmental Standards (NES) currently in force:

- NES for Air Quality 2004
- NES for Sources of Human Drinking Water 2007
- NES for Electricity Transmission Activities 2009
- NES for Assessing and Managing Contaminants in Soil to Protect Human Health 2011
- NES for Telecommunication Facilities 2016
- NES for Plantation Forestry 2017
- NES for Freshwater 2020
- NES for Marine Aquaculture 2020
- NES for Storing Tyres Outdoors 2021

There are no NESs of direct relevance to this topic.

### 3.4.4 National Planning Standards

The National Planning Standards require that where the following matters are addressed, they must be included in the Assisted Housing Chapter in Part 2 – District-Wide Matters of the Plan:

- *Any additional chapters to address other matters on a district-wide basis must be included alphabetically under the General district-wide matters heading.*

## 3.5 National Guidance Documents

The New Zealand Urban Design Protocol sets out how affordable homes provide considerable benefits to urban life. These include:

Successful towns and cities have:	Opportunities for all, including for people on low incomes. The benefits to urban life are widely shared: access to jobs, affordable homes, services and community facilities. Successful towns and cities are inclusive societies that respect and celebrate diversity and care for the disadvantaged.
Key Urban Design Qualities	Choice: Quality urban design ensures urban environments provide opportunities for all, especially the disadvantaged. It allows people to choose different sustainable lifestyle options, locations, modes of transport, types of buildings and forms of tenure

### 3.6 Regional Policy and Plans

#### Regional Policy Statement for the Wellington Region 2013 (RPS)

The table below identifies the relevant provisions and resource management topics for assisted housing contained in the RPS.

3.9 Regional form, design and function	
Section	Relevant matters
Objective 22	A compact well designed and sustainable regional form that has an integrated, safe and responsive transport network and:  (g) a range of housing (including affordable housing)
Policy 67 (R)	Policy 67 aims to maintain and enhance a compact, well designed and sustainable regional form by encouraging a range of housing types and developments to meet the community's social and economic needs, including affordable housing and improve the health, safety and well-being of the community (among other methods).  The explanatory text for Policy 67 also explains that regional housing currently becomes more affordable with distance from work centres. This has negative implications in terms of travel demand, associated living costs, access to employment and community networks. It can also limit economic development opportunities by reducing the ability of businesses to attract and retain a workforce with appropriate skills.

*M = policies which must be implemented in accordance with stated methods in the RPS*

*R = policies to which particular regard must be had when varying a district plan*

#### Regional Plans

There are currently five operative regional plans and one proposed regional plan for the Wellington region:

- Regional Freshwater Plan for the Wellington Region, 1999
- Regional Coastal Plan for the Wellington Region, 2000
- Regional Air Quality Management Plan for the Wellington Region, 2000
- Regional Soil Plan for the Wellington Region, 2000
- Regional Plan for discharges to the land, 1999
- Proposed Natural Resources Plan, appeals version 2021

The proposed Natural Resources Plan (PNRP) replaces the five operative regional plans, with provisions in this plan now largely operative with the exception of those that are subject to appeal.

None of the above regional plans are relevant to the Assisted Housing chapter.

### 3.7 Iwi Management Plan(s)

No planning documents recognised by an iwi authority (see RMA Section 35A) have been lodged with the Council. However, the following strategy is considered relevant to this topic:

Iwi Strategy	Relevant Provisions
<p><a href="#">Ngāti Toa Housing Strategy</a></p> <p>This strategy has not been formally lodged with the Council, but was still taken into account for the Assisted Housing chapter.</p>	<p>Where we want to go:</p> <ol style="list-style-type: none"> <li>1. Empower Ngāti Toa whānau to pursue affordable homes through new models of home ownership, and being advocates that educate and assist the journey to home ownership - Whakamana</li> <li>2. Enable suitable living options and housing security for all Ngāti Toa people</li> <li>3. Deliver rohe based housing solutions with density and diversity in the right place, and amenities delivered alongside housing</li> <li>4. Protect our taiao by building for now, and the future</li> <li>5. Look beyond housing, to provide health, social services, education and employment - Mauriora</li> <li>6. Build and foster relationship-based partnerships – Whakawhānaungatanga</li> </ol> <p>The 6 key pillars:</p> <ol style="list-style-type: none"> <li>1. Kotahi tatou</li> <li>2. Whakatau tika</li> <li>3. Kaitiakitanga</li> <li>4. Rangatiratanga</li> <li>5. Manaakitanga</li> <li>6. Wairuatanga</li> <li>7. Whānaungatanga</li> <li>8. Ahi kā</li> </ol>

### 3.8 Relevant plans or strategies

The following plans / strategies are relevant to this topic:

Plan / Strategy	Organisation	Relevant Provisions
<p><a href="#">Our City Tomorrow: Spatial Plan for Wellington City 2021</a></p>	Wellington City Council	Our City Tomorrow: A Spatial Plan for Wellington City ('the Spatial Plan') provides a long-term integrated framework for managing Wellington city's growth and development. Council also made specific directions to investigate "inclusionary zoning" and height bonuses for affordable housing.
<p><a href="#">MAIHI Ka Ora – the National Māori Housing Strategy 2021</a></p>	Te Tūāpapa Kura Kāinga	MAIHI Ka Ora is focused on central government actions: Māori-Crown partnerships, housing funds, supporting technical capacity and infrastructure, home ownership assistance etc. Some of the principles are useful reference: supporting housing on whenua Māori, using a place-based approach, deliver Māori led local solutions.
<p><a href="#">Wellington Regional Growth Framework 2021</a></p>	Wellington Regional	The Wellington Regional Growth Framework is a spatial plan that has been developed by local government, central government and iwi partners in the Wellington-Horowhenua region to provide

	Leadership Committee	councils and iwi in the region with an agreed regional direction for growth and investment, and deliver on the Urban Growth Agenda objectives of the Government.  Housing affordability is the #1 challenge for the region. Affordable housing and housing diversity, papakāinga are key moves.
<a href="#">Wellington Regional Housing Action Plan 2022</a>	Wellington Regional Leadership Committee	This developing action plan to increase housing supply, affordability and choice over the next 5 years includes various actions that will support and provide affordable housing generally.
<a href="#">Wellington City Council Housing Strategy 2018-2028</a>	Wellington City Council	This document sets high level outcomes, vision and guiding principles for improving housing affordability.
<a href="#">Wellington City Housing Action Plan 2020-2022</a>	Wellington City Council	This document summarises the Council's five focus areas for housing: Planning for Growth, One-stop Shop, City Housing financial stability, Te Mahana – homelessness strategy, and Proactive Development.
<a href="#">Wellington Towards 2040: Smart Capital (2011)</a>	Wellington City Council	The strategy focuses on four goals: People-centred city, eco-city, connected city, and dynamic central city. Understand the factors that influence housing affordability is a component of "people-centred city".
<a href="#">Housing and Business Development Capacity Assessment – Wellington City Council 2019</a>	Greater Wellington Regional Council, Wellington City Council	This assessment was used to help estimate the effect of assisted housing methods on overall housing supply, and the amount of assisted housing through financial contributions that could be generated.

### 3.9 Other relevant legislation or regulations

The following additional legislative / regulatory requirements are also relevant to this topic:

Legislation / Regulation	Relevant Provisions
<a href="#">Local Government Act 2002, Section 102(3A)(a)</a>	<p>The Local Government Act requires financial contributions policy to support the principles set out in the Preamble to Te Ture Whenua Māori Act 1993:</p> <ul style="list-style-type: none"> <li>• The Treaty of Waitangi established the special relationship between the Māori people and the Crown.</li> <li>• It is desirable that the spirit of the exchange of kawanatanga for the protection of rangatiratanga embodied in the Treaty of Waitangi be reaffirmed</li> <li>• It is desirable to recognise that land is a taonga tuku iho of special significance to Māori people and, for that reason, to promote the retention of that land in the hands of its owners,</li> </ul>

	<p>their whanau, and their hapu, and to protect wahi tapu: and to facilitate the occupation, development, and utilisation of that land for the benefit of its owners, their whanau, and their hapu</p> <ul style="list-style-type: none"> <li>• It is desirable to maintain a court and to establish mechanisms to assist the Māori people to achieve the implementation of these principles.</li> </ul>
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## 4.0 Resource Management Issues Analysis

### 4.1 Background

#### Wellington City housing is expensive

Wellington City's housing has become increasingly unaffordable for many existing Wellington City residents and those looking to move into the City.

- Median weekly rent in Wellington City was \$710<sup>1</sup> in March 2021 (Wellington metro area is \$580). Rental costs have increased by 38 percent over the past five years.
- The lower quartile house price (typical for first home buyers) was \$670,000 in June 2021<sup>2</sup>. House prices have increased 84 percent over the past five years.
- Only 53 percent of Wellington residents owned their home in the 2018 census.

For comparison, Auckland's median weekly rent in March 2021 was \$579, with the Auckland isthmus area at \$695. This is equivalent to Wellington's rents at a city and regional level, despite metro Auckland being three times larger (and growing at around 2%) than metro Wellington (Wellington City is growing at 1.3%)<sup>3</sup>. Christchurch City's median weekly rent is \$460, despite being a similar size to Wellington and growing at around 2% p.a.

Māori, Pasifika and some other minority ethnic communities are affected worse by unaffordable housing. Māori and Pasifika in Wellington City have low home ownership rates (38% and 35% respectively in 2013). Most Māori renters report cold, damp homes. DCM (Downtown Community Ministries) reports that Māori is the most common ethnicity of homeless people they serve.

There are many factors causing these high rental and property prices. Low interest rates, immigration into Wellington and tax policy have contributed to increasing demand to purchase homes, especially since the COVID-19 lockdown in March-June 2020. At the same time the amalgam of restrictive land use planning, limited incentives to upgrade infrastructure, low construction sector productivity and capacity, and bank lending criteria have constrained supply.

As well as the general supply constraints mentioned above, Wellington City has other constraints that increase the cost of new houses and reduce supply, when compared to other New Zealand cities:

- limited land suitable for greenfield housing subdivisions
- steep land
- narrow properties, narrow streets and limited access in some cases
- natural hazards risks, especially relating to earthquakes

<sup>1</sup> <https://www.interest.co.nz/property/rent-ratio>

<sup>2</sup> <https://www.qv.co.nz/price-index/>

<sup>3</sup> Population growth rates taken from the 2016-2021 average

House prices have increased not just nationally but globally too. In part, this is due to much lower mortgage rates. Population ageing has produced a glut of savings that has reduced real interest rates globally. The response to COVID-19 has only exacerbated the availability of credit that has pushed up house prices in most OECD countries. Nationally, ten percent population growth in the space of five years has also pressured demand.

## Indicators for affordability in Wellington

Council has developed the Wellington Housing Affordability Model (WHAM)<sup>4</sup>. WHAM is used to understand what housing is affordable, and for whom. The model is supplementary to other affordability measures.

WHAM is based on the premise that assessing affordability depends on a household's circumstances and composition, and that housing affordability is more complex than only one set dollar amount or ratio.

WHAM makes assumptions about a household's expenditure (excluding housing cost) to understand the income available for housing. It is applied in different ways depending on three questions the user seeks to answer:

- Who can afford a particular rent or purchase price
- What is affordable for a particular population or group
- How affordable a rental or purchase price is for a particular group (and by how much).

Other indicators for reference:

- The Auckland Plan 2050 defines affordable housing as a “home that a household could occupy for less than 30% of its income whether renting or purchasing.” This is a commonly used metric across the world. It is useful for renters, but less useful for home ownership as it does not factor in the ability of first home buyers to save the initial house deposit, or the risk of interest rates rising and making house mortgages unaffordable.
- Building houses near good public transport corridors tend to increase overall affordability, as average transportation costs are lower. As a rule of thumb, to be affordable, housing + transport costs should not exceed 45% of a household budget.
- In the often-quoted Demographia International Housing Affordability Survey, housing is affordable at a ‘median multiple’ of 3.0 or less, moderately unaffordable at 3.1 to 4.0, seriously unaffordable at 4.1 to 5.0, and severely unaffordable at over 5. Median multiple is the median house price divided by median household income. Wellington City was at 7.1 on July 2020. Interestingly this is lower than Kapiti Coast and Porirua (7.8) because of higher household incomes in Wellington City<sup>5</sup>. The Demographia measure is a useful long-term measure for buying a house, as it does not account for mortgage interest rates. It is not helpful for renters.
- The current KiwiBuild price cap for a Wellington three-bedroom house is \$550,000, and \$500,000 for studio, one and two bedroom houses.

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<sup>4</sup> More information on WHAM is at <https://wellington.govt.nz/your-council/plans-policies-and-bylaws/policies/housing-strategy>

<sup>5</sup> [https://cdn-flightdec.userfirst.co.nz/uploads/sites/plimmertonrotary/files/Viewpoints/2020/HOUSING\\_AFFORDABILITY\\_20.pdf](https://cdn-flightdec.userfirst.co.nz/uploads/sites/plimmertonrotary/files/Viewpoints/2020/HOUSING_AFFORDABILITY_20.pdf)

- Under the expired Housing Accord and Special Housing Areas Act 2013, Auckland Council defined 'affordable housing product' as either:
  - Homes for first home buyers priced at 75 percent of the Auckland median house price; or
  - Held by community housing providers and made available to owner occupiers such that their monthly mortgage payments would not exceed 30 percent of the median household income<sup>6</sup>.

## Affordability to rent and to buy is different

Home ownership and rentals have different rates of relative affordability. Rental affordability is a more accurate indicator of housing supply relative to number of households. Having affordable houses for people to buy typically raises household wealth, permanence and well-being, which then adds to community wealth, stability and wellbeing. However, house prices can become divorced from housing need. The factors listed in [paragraph 15] can push prices well above their rental returns.

Wellington's current gross rental yield ranges from 4% – 6% depending on the suburb. This ratio is dropping over time as buying a house becomes more unaffordable than renting a house. For an example of how separated rental and buying affordability can be, the gross rental yield in Taipei is only 1.04% meaning rent is affordable, but houses are very expensive to buy.

## Different housing types

Housing exists in a continuum from those provided by the Government for emergency housing, through to full private ownership (Figure 1). There are relative levels of affordability within each part of the continuum.



*Figure 1: The housing continuum (Wellington Housing Strategy)*

'Affordable housing products' commonly refer to lower cost homes including low-cost homes controlled at a defined 'affordable' price, assisted rental products, and assisted home ownership products such as rent-to-buy, shared equity and leasehold arrangements.

## Supply matters

The National Policy Statement on Urban Development 2020 (NPS-UD) requires councils to provide at least sufficient development capacity to meet expected demand for housing and for business land over the short to long term. Wellington City is expected to have a projected

<sup>6</sup> Auckland Council. 2018. 'Affordable housing in Auckland 'A snapshot report about the need and initiatives to increase low cost housing, assisted rent and assisted home ownership'.

population increase of 50,000-80,000 people over the next 30 years, added to the current under-supply of around 4,600 houses from 2000 to 2016<sup>7</sup>.

*Our City Tomorrow – A Spatial Plan for Wellington City 2020* ('the Spatial Plan') directs increased housing density in and near the city centre, suburban centres and key public transport routes. It also directs increased investment in three waters, public and active transport, community services (such as parks), and better urban design and environmental quality. The Spatial Plan provides direction for the District Plan Review process. Rezoning to enable more housing supply is the most effective way the Plan can support the provision of affordable housing overall.

While not dismissing Wellington City's particular constraints, as a comparison, Christchurch and Auckland's extensive house building in recent years has helped limit their rent rises relative to population growth, compared to Wellington.

Without these actions to enable house construction, Wellington City will always be dealing with housing affordability. However, these measures will take effect over the next 30 years. They will not be developed fast enough to reduce house prices and rents in the short to medium term. There is a lack of homes for people who can't afford houses to rent or buy in the current market, but who also don't qualify for social housing. Some refer to this as the "missing middle" of New Zealand's housing.

## **Housing Strategy and Action Plan is Council's overall framework for housing**

Council's Housing Strategy and Housing Action Plan<sup>8</sup> lists five priority work programmes for the Council to make sure everyone has access to safe and affordable housing: Planning for Growth (including the district plan), a one-stop shop consenting process, City Housing (Council's social housing) financial stability, Te Mahana – homelessness strategy, and proactive development. This report focuses on some options for how the Council can address housing affordability within the new district plan.

On 18 February 2021, the Council's Long-Term Plan Committee resolved that Council will: "investigate how it can increase its ability to provide more affordable housing outcomes for the city and that the [Long Term Plan] Consultation Document, via a signal, ask the public for their views on this topic to inform future work in this area."

The Build Wellington team is leading this investigation, as part of its review of the Housing Action Plan, on how Council can better enable the delivery of affordable housing. This includes an assessment of different levels of intervention and funding, also noting powers available through the Urban Development Act.

## **District plans are able to address housing affordability under the RMA**

Case law currently states that the district plan can address housing affordability. In the legal arguments around Queenstown-Lakes' Plan Change 24 (Community and Affordable Housing), the Environment Court found that affordability of housing is an effect that can be managed by district plans under the RMA.<sup>9</sup> This was supported by the High Court.

## **Councils are looking at inclusionary housing as an alternative**

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<sup>7</sup> [Housing and Business Development Capacity Assessment for Wellington City 2019](#), pages 75-76.

<sup>8</sup> <https://wellington.govt.nz/your-council/plans-policies-and-bylaws/policies/housing-strategy>

<sup>9</sup> <https://www.qldc.govt.nz/your-council/district-plan/operative-district-plan/plan-changes-to-the-operative-district-plan>

Central and local government have tried a number of tools to shift the headline rate of house price inflation. Major tools include zoning for increased density along key public transport routes and city/town/neighbourhood centres, and improving water, wastewater, stormwater and transport services to greenfield and brownfield sites.

Now that house prices are so high, inclusionary housing (also known as inclusionary zoning) is an appealing new strategy to meet the needs of those excluded from housing. Queenstown-Lakes District Council is consulting on inclusionary housing options for its district plan: <https://letstalk.qldc.govt.nz/planning-for-affordable-housing> and is proposing a district plan change to introduce mandatory contributions from residential developments.

## **Inclusionary housing comes in different forms**

At its most basic level, inclusionary housing requires that a fraction of new dwellings are set aside to provide affordable housing for people on low incomes. Inclusionary housing can be voluntary – where developers opt-in for inclusionary housing in return for waivers of consent fees, land use restrictions on density, height or massing restrictions. Alternatively, inclusionary housing can be mandatory, where developers must construct additional dwellings or pay a fee for exemption.

Outcomes can be dependent on both the type of inclusionary housing, the geographic coverage and timing of the policy.

### **4.2 Main planning issue, externalities**

#### **Main planning issue: long-term housing supply solutions do not fully address short to medium term socio-economic externalities.**

High house prices and rents have the greatest effect on low to medium income households. Wellington City Council has asked staff to investigate inclusionary housing (“zoning”) as a new tool to help ameliorate these effects on people who are effectively priced out of Wellington, despite efforts by local and central government and other housing providers to increase the supply of affordable housing units.

This main issue is generating three negative externalities that inclusionary housing in the Plan can help address.

#### **Externality 1: Lower social diversity in some neighbourhoods**

The Spatial Plan’s vision for Wellington City is a city that, among other things, celebrates Wellington’s diverse cultures, where housing is affordable and accessible – a welcoming home for all. In urban areas with high property costs, existing housing stock is replaced, improved and renovated by people on higher salaries, replacing middle- and lower- class households. New medium and high-density development can help with this at a city level by providing more housing. This enables households to have more options for better quality housing at a regional level. All else being equal, this reduces rent price rises and increases housing quality.

At a neighbourhood level however, renovation and replacement of existing houses, and construction of higher density, higher quality apartments and terrace houses, may exclude poorer households and larger families who currently live there. Gradually, social diversity may be diluted within Wellington City, with loss of welfare and established community connections.

This has already been happening. Only two per cent of Wellington City’s population live in areas with a deprivation Index of 9 or 10 (Newtown South Statistical Area 2 (SA2)), and overall Wellington City averages a score of 3.8, reflecting the relative privilege of many who live in Wellington City.

A social mix can be seen as part of Objective 1 of the National Policy Statement on Urban Development: 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<sup>10</sup>. Quality of life and wellbeing are enhanced if people live and interact in diverse communities rather than polarised ones. Diverse communities experience better health outcomes, higher engagement in civic processes, and increased social capital regardless of income levels.

### **Externality 2: Lower economic vitality**

Wellington City’s economy relies on workers in the hospitality, construction, tourism, community, transport, and many other sectors with low to median wages. High house prices and rentals force these workers and their families to live beyond Wellington City and in some cases out into satellite areas like the Wairarapa, Otaki and Levin. This creates large distances between where people live and work and leads to further urban sprawl. It increases travel time, carbon emissions, and health issues for these workers. It increases costs and restricts business growth within Wellington City. Overall, this reduces the dynamism and flexibility of the City’s economy to evolve and grow.

### **Externality 3: Lack of access to opportunity**

Wellington City has great jobs, educational centres, parks and community services. People who can afford to live in Wellington City have access to these services to improve their education, health, employability, and general standard of living. As with externality 1, suburbs that are redeveloped into housing only for those on higher incomes leads to spatial marginalisation of lower income households that have less access to these high-quality services. This means people can’t reach their potential. Also, poor housing away from opportunities for work, school and recreation could mean a minority turn to anti-social behaviour.

## **4.3 Evidence Base - Research, Consultation, Information and Analysis undertaken**

The Council has reviewed the previous District Plan, commissioned technical advice and assistance from various internal and external experts and utilised this, along with internal workshops and community feedback to assist with setting the Plan framework. This work has been used to inform the identification and assessment of the environmental, economic, social and cultural effects that are anticipated from the implementation of the provisions. This advice includes the following:

<b>Title</b>	<b>Author</b>	<b>Brief synopsis</b>
<a href="#">Assessing inclusionary zoning for Wellington City</a>	Kirdan Lees, Sense Partners	This is a short, qualitative brief on the possible economic impacts of mandatory assisted housing rules in the Plan.

<sup>10</sup> National Policy Statement on Urban Development 2020:  
<https://environment.govt.nz/assets/Publications/Files/AA-Gazetted-NPSUD-17.07.2020-pdf.pdf>

<a href="#">Council housing (June 2021)</a>		
<a href="#">Wellington City inclusionary zoning options economic assessment (October 2021)</a>	Property Economics	This considers the housing supply effects of a mandatory contribution option, and a voluntary contribution option with a building height incentive. The report also considers a mandatory option for properties that have already been given a 25% height bonus. The numbers should be interpreted with caution. The report compares three areas: Te Aro (city centre zone), Johnsonville (metropolitan centre), and Tawa (rapid transit walking catchment), and uses the previous district plan's development rules – not the draft rules in the Draft District Plan.
<a href="#">Assessment of potential social effects from the draft District Plan's assisted housing options (December 2021)</a>	Robert Quigley, Quigley and Watts	This report assesses the potential social effects of the Draft District Plan provisions in the Assisted Housing chapter (Options 1 – 4), using the same parameters as the October 2021 economic assessment. The potential social effects consider the Draft District Plan provisions against a business as usual/no-change scenario.
[Best Practice] Review – Assisted (Inclusionary) Housing Chapter – Proposed Wellington City District Plan (May 2022)	Marcus Spiller, SGS Economics and Planning	The review looks at the draft Assisted Housing chapter from an external planning and economics perspective, and makes recommendations on how it could be improved using best-practice methods.
Mandatory assisted housing contribution scenario – housing capacity model projections (May 2022)	Property Economics	A scenario was run on the housing model used to estimate residential capacity enabled by the Plan. It assesses the assisted housing contributions in the Plan on the feasible and realisable supply overall and of assisted housing, at a 1% and 2% contribution rate.
Wellington Housing Choice and Affordability Report (February 2021)	Beca	<p>This report develops approaches and tools for the District Plan Review to maximise opportunities to achieve rental and ownership housing outcomes over the next 30 years that are consistent with community needs and/or preferences, in terms of:</p> <ul style="list-style-type: none"> <li>• housing choice (HC) and relative affordability (RA) for all;</li> <li>• relative affordability (RA) for target groups (e.g. key workers, the elderly, Māori, young people); and/or</li> <li>• affordable housing (AH) for low income and/ or other target groups.</li> </ul> <p>It includes a review of international and New Zealand case study examples, a suburb-by-</p>

		suburb data analysis of existing housing choice and relative affordability levels, and projected housing choice outcomes, and district plan and non-district plan interventions that could be investigated further.
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In addition to the material listed in the table above, the Council has also gathered the following information and advice that is relevant to this topic:

- Development Contributions for affordable housing: theory and implementation. SGS Economics and Planning, Australia. (2018)  
<https://www.sgsep.com.au/assets/main/SGS-Economics-and-Planning-Development-contributions-for-affordable-housing.pdf>
- Is there a Place for Affordable Housing Planning Requirements in New Zealand? Community Housing Solutions and Community Housing Ngā Wharerau o Aotearoa. (2020)  
<https://www.communityhousing.org.nz/Downloads/Assets/Download/38934/1/IS%20THERE%20A%20PLACE%20FOR%20AFFORDABLE%20HOUSING%20PLANNING%20REQUIREMENTS%20IN%20NEW%20ZEALAND%20-%20Final.pdf>
- Separating Fact from Fiction to Design Effective Inclusionary Housing Programs. Center for Housing Policy, National Housing Conference, USA. (2016)  
<https://www.chapa.org/sites/default/files/Center%20For%20Housing%20Policy%20Research%20on%20Inclusionary%20Zoning.pdf>
- Inclusionary Zoning: What does the research tell us about the effectiveness of local action? Urban Institute, Research to Action Lab. (2019)  
[https://www.urban.org/sites/default/files/publication/99647/inclusionary\\_zoning\\_what\\_does\\_the\\_research\\_tell\\_us\\_about\\_the\\_effectiveness\\_of\\_local\\_action\\_2.pdf](https://www.urban.org/sites/default/files/publication/99647/inclusionary_zoning_what_does_the_research_tell_us_about_the_effectiveness_of_local_action_2.pdf)
- Queenstown Lakes District Council District Plan Change 24 Community and Affordable Housing – Section 32 report, hearing reports and other background documents:  
<https://www.qldc.govt.nz/your-council/district-plan/operative-district-plan/plan-changes-to-the-operative-district-plan>
- The Housing Supply Debate: Evaluating the Evidence. Todd Litman. (2021)  
<https://www.planetizen.com/blogs/113295-housing-supply-debate-evaluating-evidence>
- Housing Our Nation: Rebalancing the Equation in Planning. The Property Group, Wellington. (2016)  
[https://planning.org.nz/Attachment?Action=Download&Attachment\\_id=3776](https://planning.org.nz/Attachment?Action=Download&Attachment_id=3776)
- Supporting affordable housing supply: inclusionary planning in new and renewing communities. Australian Housing and Urban Research Institute. (2018)  
<https://www.ahuri.edu.au/research/final-reports/297>

- Affordable housing - Section 32 evaluation for the Proposed Auckland Unitary Plan. Auckland Council (2014)  
<https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/unitary-plan/history-unitary-plan/documentssection32reportproposedaup/2-21-affordable-housing-v3-2013-09-18.pdf>

#### 4.3.1 Analysis of Operative District Plan provisions relevant to this topic

The operative District Plan does not have equivalent provisions to the Plan’s Assisted Housing chapter. It is a novel approach to a resource management issue that has worsened over time.

#### 4.3.2 Analysis of other district plan provisions relevant to this topic

Current practice in New Zealand has been considered in respect of this topic, with a review undertaken of the Queenstown-Lakes District Plan’s plan change for affordable housing. So far, this is the only other district plan that is including explicit planning methods to enable and require contributions towards assisted housing or retained affordable housing. The Queenstown-Lakes District Council (QLDC) website (<https://letstalk.qldc.govt.nz/planning-for-affordable-housing>) includes a working paper, draft provisions, issues and options paper, and economic case, valuation reports and alternative approaches to addressing housing affordability.

QLDC is proposing to notify its district plan change to introduce mandatory contributions for “retained affordable housing” in August 2022. At the time of writing, QLDC has not made public any assisted housing provisions beyond the working paper by David Mead, consultant planner. The table below summarises the possible approach in the QLDC working paper and how it relates to Wellington City’s situation.

QLDC working paper	Wellington City situation
≥20 lot greenfield residential subdivisions contribute 5-10% of lots to QLDC at no cost, or off-site/financial contribution	WCC would prefer not to have lots in its greenfield subdivision areas, because WCC’s policy is to place assisted housing in growth centres close to services and public transport. This improves overall affordability and makes walking, cycling and public transport more feasible for local journeys. WCC would prefer to have a financial contribution from greenfields instead that could be spent on housing in growth areas.
3-19 lot greenfield subdivision – contribute 5-10% of the market value of the lots as financial contribution.	WCC proposes a financial contribution from greenfield housing construction rather than lot market value. This is a simpler system for Wellington City where most contributions will come from brownfield development. The quantum of financial contribution for greenfield developments would be similar across both systems, with variations depending on the % used, the market value of lots, and the size of the houses built on them.
Rural residential subdivision, settlement or special (resort) zone subdivision of more than two lots – 1-4% of value of lots paid as financial contribution	In Wellington City, these lots unserved by 3 waters in rural areas do not have to contribute assisted housing. The lots are not part of the urban environment so do not share responsibility for a mix of affordable housing options, and have not had additional development rights in this district plan.

<p>&gt;2 dwellings on a lot, including visitor accommodation and independent living in retirement villages – 1-4% of the sale unit of the additional units, or set amount per m2 floorspace. Does not apply if it's on a subdivided lot that has already paid a contribution.</p>	<p>WCC proposes a similar contribution rate to QLDC, but expands the scope to cover commercial development and limits the scope to only cover land that has been allocated ≥4 m and 33% increase in building heights. To reduce the risk of these contributions adversely affecting the overall supply of market housing and commercial floorspace, the contributions requirement is tied to areas with height bonuses and without other significant land use constraints (e.g. heritage, sites of significance to Māori, SNAs).</p>
<p>Residential development in settlement, resort and rural-residential zones – set amount per m2 of floorspace.</p>	<p>These developments are not part of the urban environment so do not share responsibility for a mix of affordable housing options, and have not had additional development rights in this district plan.</p>
<p>Exempt: small unit &lt;40m2, boarding houses, worker accommodation, managed care facilities, developments by Kāinga Ora/community housing providers</p>	<p>WCC also proposes these exemptions, except not for small units as they have no guarantee of being long-term affordable for low to medium income households. Rather than worker accommodation, WCC exempts tertiary accommodation providers. This is a similar style of accommodation, and reflects Wellington City's need to support students in the same way QLDC needs to support on-site workers for tourism, agriculture etc. Houses by Kāinga Ora/community housing providers are likely to be excluded by nature of the proposed Plan rules, because their developments almost always include assisted housing as defined in the Plan.</p>

The other councils in the Wellington Region do not intend to introduce provisions for mandatory contributions for assisted housing into their district plans, partly because Resource Management Act plans are nearing their end. The new regional Natural and Built Environments Act (NBA) Plan *may* include provisions for assisted housing. Staff in these councils support the new NBA having planning powers to enable assisted housing, and national direction and guidance to support this. Future NBA plan decision-makers will decide whether the proposed Assisted Housing provisions are progressed, converted, replaced or removed in the future regional NBA Plan.

#### **4.3.3 Advice received from Taranaki Whānui and Ngāti Toa Rangatira**

Under Clause 4A of Schedule 1 of the RMA local authorities are required to:

- Provide a copy of any draft policy statement or plan to any iwi authority previously consulted under clause 3 of Schedule 1 prior to notification;
- Allow adequate time and opportunity for those iwi authorities to consider the draft and to supply advice; and
- Have particular regard to any advice received before notifying the plan.

As an extension of this s32(4A) requires evaluation reports prepared in relation to a proposed plan to include a summary of:

- All advice received from iwi authorities concerning the proposal; and

- The response to that advice, including any proposed provisions intended to give effect to the advice.

The draft assisted housing chapter and a PowerPoint presentation explaining the chapter was emailed to Te Rūnanga o Toa Rangatira on 18 March 2022, and to Port Nicholson Block Settlement Trust (for Taranaki Whānui) on 28 March 2022. An invite to meet, call or email to discuss or comment was included.

The District Plan Review has included significant engagement with our mana whenua partners - Taranaki Whānui ki te Upoko o te Ika and Ngāti Toa Rangatira. This has included over 100 hui and wānanga attended by Council officers over the last 12 months. This has provided a much greater understanding of mana whenua values and aspirations as they relate to the PDP.

The PDP elevates the consideration of mana whenua values in resource management processes, including:

- A new Tangata Whenua chapter which provides context and clarity about who mana whenua are and what environmental outcomes they are seeking.
- A new Sites and Areas of Significance to Māori chapter that provides greater protection for sites and areas of significance than the current District Plan.
- Integrating mana whenua values across the remainder of the plan where relevant.

This is consistent with both the City Goal of 'Partnership with mana whenua' in the Spatial Plan; and the recently signed Tākai Here (2022), which is the new partnership agreement between the Council and our mana whenua partners, Rūnanga o Toa Rangatira, Taranaki Whānui ki Te Upoko o Te Ika and Te Rūnanganui o Te Āti Awa.

A full copy of the advice received is attached as an addendum to the complete suite of Section 32 reports as Addendum A – Advice received from Taranaki Whānui and Ngāti Toa Rangatira.

#### **4.3.4 Consultation undertaken to date**

<b>Who</b>	<b>What</b>	<b>When</b>	<b>Relevant Issues Raised</b>
Councillors	Workshops on housing supply, affordability and assisted housing	31 August 2021 29 September 2021 16 February 2022	<ul style="list-style-type: none"> <li>• Effect on housing supply</li> <li>• Tie-in with accessible housing</li> <li>• Practicalities how provisions would work</li> </ul>
Regional Housing Action Plan Advisory Group	Short presentation on early assisted housing options being considered for the draft Plan	29 April 2021	<ul style="list-style-type: none"> <li>• The Action Plan's 5 year timeframe means inclusionary housing not a regional action to include</li> <li>• Support for action to increase amount of assisted housing</li> </ul>

Porirua, Upper Hutt, Hutt City Council staff	Meeting on inclusionary housing and affordable housing in district plans	10 August 2021	<ul style="list-style-type: none"> <li>• Support for inclusionary housing powers in new NBA and national direction</li> <li>• Inclusionary housing not progressing under their RMA plans</li> <li>• Other methods to support affordable housing generally</li> </ul>
Wellington metro council staff, Ministry for the Environment and Ministry of Housing and Urban Development staff	Meeting on inclusionary housing in district plans	9 September 2021	<ul style="list-style-type: none"> <li>• Guidance on whether to apply inclusionary housing tools to district plans</li> <li>• Clear resource management rationale needed</li> <li>• Request for powers and national direction for NBA.</li> </ul>
Craig Stewart, Stratum Management Kurt Gibbons Willis Bond Eyal Aharoni, Prime Property Kainga Ora Maurice Clarke Simon and Adair Nightingale, Nightingale Group	Presentation and discussion on draft Plan timeline and key changes for developers	October – December 2021	<ul style="list-style-type: none"> <li>• All developers, except Nightingales, did not support assisted housing provisions as it is a tax/adds costs that will be passed onto purchasers.</li> <li>• Concern that mandatory contributions will constrain supply which in turn will have a detrimental impact on affordability.</li> <li>• Supportive of additional building height enabled.</li> </ul>
Feedback on Draft Plan	Feedback on Draft Plan, through submissions and targeted discussions	1 November to 14 December 2021	<ul style="list-style-type: none"> <li>• Refer to Appendix 1</li> </ul>
Wellington City Community Housing Providers, Community Housing Aotearoa	Workshop on assisted housing options in the draft Plan	4 November 2021	<ul style="list-style-type: none"> <li>• Clarification questions, to help with comments on draft Plan</li> <li>• Support for action to increase amount of assisted housing</li> </ul>

Individual developer meetings	Topic of Assisted Housing raised as part of wider discussions on Draft Plan		<ul style="list-style-type: none"> <li>• Opposition to any mandatory contributions from development for assisted housing</li> </ul>
Let's Get Wellington Moving Steering Group: LGWM, WCC, Greater Wellington and Kāinga Ora staff	Presentation and questions on the Assisted Housing chapter and connections with wider Wellington City housing programmes	11 March 2022	<ul style="list-style-type: none"> <li>• How financial contributions would be spent</li> <li>• Kāinga Ora's concerns</li> <li>• Option to apply assisted housing requirements within LGWM project area</li> </ul>
Port Nicholson Block Settlement Trust, Ngāti Toa Runanga	Five-minute explanation and sending presentations and draft provisions for their feedback. Invite given them to korero if they want.	PNBST hui with Kirsty Tamanui 28 March 2022, Emails to Onur Oktem 16 and 18 March 2022	<ul style="list-style-type: none"> <li>• Onur asked for the draft chapter, to see if the team wanted to comment</li> <li>• Kirsty also asked for presentation and draft chapter. She mentioned that they and their commercial partners will be interested in its implications.</li> </ul>

A summary of specific feedback on this topic received during consultation on the Draft Plan is contained in Appendix 1.

Unlike the rest of the Draft Plan, the draft Assisted Housing chapter contained four options to consult on:

**Option 1 Controlled activity:** allow developments of 100% assisted housing in the Centres Zones and the Medium Density Residential Zone to be processed as a controlled activity if it meets the zone standards.

**Option 2 Height incentive:** enable additional building height to be considered in the Centres Zones and the Medium Density Residential Zone if affordable or assisted housing is provided. This is a matter of discretion that Council can consider as part of "City Design Contribution" within these zones.

**Option 3 Require with additional height:** require multi-unit residential development in all zones that exceed the height or height to boundary standards to pay financial contributions equivalent to xx% of the value of the additional floorspace enabled by the extra height, unless assisted housing or affordable housing is otherwise provided.

**Option 4 Require all developments:** require all subdivisions and multi-unit residential development to pay a financial contribution equivalent to x% of the value of the total land or floorspace, unless assisted housing or affordable housing is otherwise provided.

In summary, the key findings arising from the consultation undertaken on this topic are:

- Most submitters supported Options 1, 2 and 3 in the draft Assisted Housing Chapter, and preferred Option 3 to Option 2 as it provides better flexibility and can raise revenue for social housing provision.
- Developers opposed any mandatory contributions by development towards assisted housing. Some also opposed the chapter generally.
- Community housing providers supported the options in the draft Assisted Housing Chapter. They preferred an “Option 3.5” which included mandatory contributions from all development that has had an increase in development potential.
- Some submitters in character housing areas were concerned about the effect of bonus heights in exchange for assisted housing provision.

#### 4.4 Summary of Relevant Resource Management Issues

Based on the research, analysis and consultation outlined above the following issues have been identified:

Issue	Cause, consequence and RMA implication of this issue	Proposed District Plan Response
<p>Insufficient stable affordable housing in Wellington City, which cannot be solely resolved by more enabling land use regulations.</p>	<p><b>Underlying cause of issue:</b> House and rent prices are unaffordable for many low to medium income households.</p> <p>Increased supply of new housing enabled by Plan up-zoning and development services (e.g. 3 waters, public transport) is limited by market conditions (e.g. availability of credit, developer risk margins), and the high construction cost of new medium and high-density housing in Wellington City. Construction costs are high in relative terms (e.g. compared to greenfield or infill development in Christchurch and similar-sized Australian cities), and in absolute terms – what a median income household can afford.</p> <p>In the long term, new housing will help limit house price increases in each suburb and Wellington City overall. This does not deal with the interim and worsening issue of unaffordable housing. Also, if housing market rates, land values and construction costs remain high, unaffordable and poor-</p>	<p>Urban development is expected to contribute to a well-functioning urban environment that enable all people and communities to provide for their social, economic and cultural wellbeing. Current examples of this are zone development standards, urban design guidelines, and development contributions under the Local Government Act.</p> <p>There is a greater obligation for these contributions from development in the City’s high density growth areas (brownfields) and areas converted from rural to urban land uses (greenfields). This is where land value and development potential have been significantly boosted by:</p> <p>Brownfields:</p> <ul style="list-style-type: none"> <li>• higher maximum building heights</li> <li>• additional building heights supported by City Outcome Contributions</li> <li>• targeted investment in three waters, public transport, active and micro-modal transport, and other infrastructure.</li> </ul> <p>Greenfields:</p> <ul style="list-style-type: none"> <li>• Rezoning from rural to urban land uses</li> <li>• Structure plans to align infrastructure, transport connections and community</li> </ul>

	<p>quality housing will be further entrenched long-term.</p> <p><b>Consequence of the issue</b></p> <ul style="list-style-type: none"> <li>• Less social diversity in Wellington City’s communities</li> <li>• Lower economic vitality as businesses and community services struggle to attract workers.</li> <li>• Lack of access to the educational, artistic, recreational, social, cultural and employment opportunities in Wellington City.</li> </ul> <p><b>Implications for purpose of RMA</b></p> <p>This issue means that the development of physical resources (housing) is being done in a way and at a rate that limits people and communities to provide for their social, economic and cultural wellbeing.</p>	<p>services with the developers’ own investments.</p> <p>When the development potential is realised in these growth areas, the Plan requires a contribution towards “assisted housing”. From another perspective, a small portion of the land value uplift is contributed towards wider community services: support for assisted housing.</p> <p>The level of this contribution is set at a rate which supports the supply of managed, long-term affordable housing in suitable areas.</p> <p>These suitable areas are zoned for high growth with good transport and commercial and community services. These locations will also help improve overall household affordability, lower carbon emissions, and better provide for social, economic and cultural wellbeing.</p> <p>However, the mandatory assisted housing contribution should not significantly affect the overall supply of housing in Wellington City, as this would worsen the underlying cause of the resource management issue. This is why the assisted housing overlay only applies to land with a significant increase in building heights and thus increased development feasibility.</p> <p>The Plan also considers the positive effects of voluntary assisted housing contributions in developments that are above maximum height limits as part of a City Outcome Contribution assessment.</p>
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## 5.0 Ideal range of assisted housing construction in Wellington City

Marcus Spiller from SGS Economics and Planning recommends an empirical/normative standard for the provision of social and assisted housing infrastructure. This is given by the percentage of low income (renter) households which are suffering significant housing stress plus the percentage of low-income households already in social housing. In Victoria Australia, these two groups make up 14% of the population. In Auckland these groups represent 24%, reflecting relatively higher housing costs and lower incomes. The review estimates Wellington City’s figure to be around 19% as per the table below.

A	Very low, Low and Moderate income private renter households paying more than 30% of their income in rent	8,000
B	Homeless households (assumed to be 3% of all households)	2,700

C	Households in social housing (Kainga Ora and Council)	3,600
D	Total number of households in Wellington	75,000
	Social housing need as % of all housing (A+B+C)/D	19%

Note: the 2018 estimates of households in Wellington City<sup>11</sup> is 81,305. 3% of this is 2,439 assumed homeless households. This would adjust the overall assisted housing need as a % of all current housing at **17%**.

SGS's recommendation is for development proponents to meet a third of the cost of providing assisted housing, with government is responsible for funding the balance. Contributions arising from development bonuses or City Outcome Contributions fit into the "government" category as these are Crown-sanctioned rights awarded to applicants.

Wellington City's housing target range is around 20,000 – 32,000 over 30 years (i.e. 50-80,000 people). This means a target of 4,000 – 6,400 assisted housing, with 1,333 – 2,133 of these from developers' assisted housing contributions (either as assisted housing on-site or as financial contributions).

A \$120/m<sup>2</sup> or 10% of net floor area contribution will make significant progress towards providing housing for these target households. The housing projection does not include contributions from commercial developments or greenfield developments within the assisted housing overlay, which will also help get closer to this target. The contribution level in the Proposed District Plan is appropriate as a conservative start to help build a system to support assisted housing construction and oversight, and to monitor its effects. If successful, it may be maintained or expanded in the upcoming regional NBA plan. If not, it may be modified or removed.

## 6.0 Evaluation of the Proposal

This section of the report evaluates the objectives of the proposal to determine whether they are the most appropriate means to achieve the purpose of the RMA, as well as the associated policies, rules and standards relative to these objectives. It also assesses the level of detail required for the purposes of this evaluation, including the nature and extent to which the benefits and costs of the proposal have been quantified.

### 6.1 Scale and Significance

Section 32(1)(c) of the RMA requires that this report contain a level of detail that corresponds with the scale and significance of the environmental, economic, social and cultural effects that are anticipated from the implementation of the proposal.

The level of detail undertaken for this evaluation has been determined by assessing the scale and significance of the environmental, economic, social and cultural effects anticipated through introducing and implementing the proposed provisions (i.e. objectives, policies and rules) relative to a series of key criteria.

Based on this the scale and significance of anticipated effects associated with this proposal are identified below:

<sup>11</sup> <http://demographics.sensepartners.nz/households>

Criteria	Scale/Significance			Comment
	Low	Medium	High	
Basis for change		✓		<ul style="list-style-type: none"> <li>Not signalled in higher level RMA documents or directions.</li> <li>Stems from widespread community concern about unaffordable housing and precarious tenancies.</li> </ul>
Addresses a resource management issue			✓	<ul style="list-style-type: none"> <li>Unaffordable housing is a resource management issue with significant long-term social, economic and cultural effects for low to medium income households and the City generally.</li> </ul>
Degree of shift from the status quo			✓	<ul style="list-style-type: none"> <li>A new issue and set of methods in this Plan.</li> <li>Substantial new Council obligations to administer, monitor and enforce assisted housing contributions over time.</li> </ul>
Who and how many will be affected/ geographical scale of effect/s			✓	<ul style="list-style-type: none"> <li>High degree of public interest and support for assisted housing contributions</li> <li>Applies to areas with high density development enabled and greenfield development areas – which now cover significant portions of the City.</li> <li>Affects the overall costs of high-density and greenfield development.</li> </ul>
Degree of impact on or interest from iwi/ Māori		✓		<ul style="list-style-type: none"> <li>Opportunity to increase assisted housing options for Māori</li> <li>Consistent with the Ngāti Toa Housing Strategy.</li> </ul>
Timing and duration of effect/s			✓	<ul style="list-style-type: none"> <li>The supply of assisted housing to help address the unaffordability issue will increase gradually over time.</li> <li>The new assisted housing will remain “assisted” for at least 25 years.</li> </ul>
Type of effect/s			✓	<ul style="list-style-type: none"> <li>Significant financial implications for owners of land in the assisted housing overlay</li> <li>Significant benefits over time for residents of new assisted housing.</li> <li>Moderate long-term social, cultural and economic benefits for neighbourhoods</li> </ul>

Criteria	Scale/Significance			Comment
	Low	Medium	High	
				within an assisted housing overlay and for Wellington City overall.
Degree of risk and uncertainty			✓	<ul style="list-style-type: none"> <li>• Strong support from many people as shown by comments on the draft Plan</li> <li>• Strong opposition from large-scale developers.</li> <li>• The methods are novel to New Zealand and untested in the Courts.</li> <li>• New processes are needed to administer the financial contributions and assisted housing from them.</li> <li>• The benefits and costs are based on professional assessments and models, but are still future projections. This makes them uncertain and susceptible to unmeasured influences and changing assumptions and inputs over time.</li> <li>• The assisted housing contribution system will need to change when the new regional Natural and Built Environment Act Plan is prepared.</li> </ul>

Overall, the scale and significance of the proposed provisions are considered to be high for the following reasons:

- High risk and uncertainty
- High type and duration of effects
- The novel but important measures to help address the resource management issue of unaffordable housing

Consequently, a detailed evaluation of these provisions has been identified as appropriate for the purposes of this report.

## 6.2 Quantification of Benefits and Costs

Section 32(2)(b) requires that, where practicable, the benefits and costs of a proposal are to be quantified.

Given the scale and significance of the proposal a separate economic evaluation was commissioned which quantifies associated benefits and costs to the extent practicable. The monetized benefits and costs contained in the accompanying report were derived based on the following assumptions:

- A 1% and 2% contribution rate from the estimated market value of new residential units, based on 2021 rateable valuations.
- Mandatory contributions applying to developments of 4+ residential units within the Assisted Housing Overlay.

This assessment is not exactly aligned with the Plan’s final policy approach. It was the approach at the time of commissioning the work. While not exact, it is a cost-efficient way of measuring the effects of the proposal on housing capacity and development.

The economic evaluation was delayed by the consultant GIS assessment, which is a critical first step of the assessment. This means the quantification of benefits and costs was unable to be included in this Evaluation Report.

## 7.0 Overview of Proposal/s

The proposed provisions relevant to this topic are set out in detail in the Plan and should be referenced to in conjunction with this evaluation report.

In summary, the proposed provisions include:

- A definition of assisted housing, and use of the multi-unit residential definition
- One objective that addresses the purpose of the chapter.
- A cross-reference to policies in the City Centre, Metropolitan Centre, Local Centre, Neighbourhood Centre and High Density Residential Zones that enable consideration of assisted housing as a publicly beneficial outcome.
- One policy to require mandatory contributions towards assisted housing from new buildings and additions in the assisted housing overlay.
- Two methods to direct how financial contributions for assisted housing must be used and distributed.
- A rule for new buildings and additions to buildings to be permitted if they comply with the aspects below, otherwise are restricted discretionary.
  - Managed care units in a rest home or retirement village
  - A boarding house
  - Tertiary student accommodation
  - At least 10% assisted housing
  - Pay a financial contribution outlined in AH-S1
- A set of effects standards that set out the purpose, the application and the requirement for assisted housing financial contributions.
- Reference to the City Outcomes Contributions in the Residential Design Guide and the Centres and Mixed Use Design Guide that assign one point for every 1% of the net floor area that is assisted housing:

## 8.0 Qualifying matters and other exclusions from the Assisted Housing Overlay

The Assisted Housing Overlay does not apply in areas that have significant maximum height increases in the Plan but where the following qualifying matters also apply. This is because these qualifying matters significantly reduce the development potential, or increase the cost of development, beyond what would otherwise be enabled.

Qualifying matter, exclusions	Rationale
Heritage area	Maximum building heights are the same as in the current Operative District Plan, which are lower to protect heritage values.

Heritage item on the allotment	A heritage item on site significantly limits the area for redevelopment.
Scheduled archaeological site on the allotment	A scheduled archaeological site significantly limits the area for redevelopment. The Plan adds extra land use controls on top of the Heritage New Zealand Pouhere Taonga Act archaeological authority process.
Area of significance to Māori on the site	Development is limited to those that do not detract from Māori cultural and spiritual values, and where relevant, acknowledge these values in the works.
Site (point with 25 m radius buffer) of significance to Māori covering more than 20% of the site	Development is limited to those that do not detract from Māori cultural and spiritual values, and where relevant, acknowledge these values in the works. However, this applies to the works within the radius, not the allotment. Development outside the radius can still occur.
Line of significance to Māori, except where it occupies a sliver (<10%) of the front, side or rear boundary	Development is limited to those that do not detract from Māori cultural and spiritual values, and where relevant, acknowledge these values in the works. However, this applies to the works overlapping the line, not the allotment. Development outside the line can still occur if the line's values are retained and/or enhanced.
Character precinct	Maximum building height is retained at 11 m.
Mt Victoria North Townscape Precinct	Maximum building height is retained at 11 m.
Viewshaft over the allotment	Viewshafts limit the maximum heights of buildings. When notified, viewshafts did not influence the location of the Assisted Housing Overlay because no areas affected by the viewshafts had underlying maximum building heights that met the 4 m and 33% criteria for the Overlay to apply.
Fault overlay on the allotment	Hazard sensitive activities, excluding a single residential dwelling, are to be avoided. When notified, the fault overlays did not influence the location of the Assisted Housing Overlay because no areas affected by the viewshafts had underlying maximum building heights that met the 4 m and 33% criteria for the Overlay to apply – sometimes because of a character precinct.
SNA overlay covering more than 25% of the allotment	Significant Natural Areas (SNAs) occasionally apply to areas that meet the 4 m and 33% criteria, for example in Khandallah and Johnsonville. 25% was selected as a threshold because the Plan policy allows for vegetation to be removed for developments where adverse effects on biodiversity values are avoided, minimised, remedied, offset or compensated. Above 25%, it becomes difficult, though not impossible, for a high density development to be configured to protect the biodiversity values. The landowner protects of this biodiversity value through limiting development potential.

<p>Airport Air Noise Overlay covering more than 20% of the allotment</p>	<p>More than two residential units on a site in this overlay is a discretionary activity, and discouraged due to reverse sensitivity effects on airport operations.</p>
<p>High or medium coastal hazard tsunami and inundation overlays covering more than 10% of the allotment – does not apply to Central City Zone</p>	<p>Outside the Central City Zone, medium coastal hazard overlays require measures to reduce or not increase the risk, and a safe evacuation route, which will significantly affect development costs and often limits the development capacity for hazard-sensitive activities. Potential and actual hazard-sensitive activities in high coastal hazard areas must have an operational or functional need to be there.</p> <p>If the hazard only covers a sliver of the site, this is unlikely to affect full development of the site’s potential. At more than 10%, the likelihood of development constraints increases.</p>
<p>Overland flowpath overlay covering more than 10% of the allotment</p>	<p>Potentially hazard-sensitive and hazard-sensitive activities must be managed by mitigation measures, allowing people to safely evacuate, and flood waters can still flow.</p> <p>If the hazard only covers a sliver of the site, this is unlikely to affect full development of the site’s potential. Even when running through the middle of a site, development can still design around a flowpath without significantly affecting development potential if the flowpath only covers ≤10% of the site. At more than 10%, the likelihood of development constraints increases.</p>
<p>Stream corridor overlay covering more than 10% of the allotment</p>	<p>Potentially hazard-sensitive and hazard-sensitive activities must be avoided in stream corridors unless risk is avoided or reduced, people can safely evacuate, and flood waters can still flow.</p> <p>If the hazard only covers a sliver of the site, this is unlikely to affect full development of the site’s potential. Even when running through the middle of a site, development can still design around a stream without significantly affecting development potential if the stream only covers ≤10% of the site. At more than 10%, the likelihood of development constraints increases.</p>

## 9.0 Evaluation of Proposed Objective/s

### 9.1 Introduction

Section 32(1)(a) of the RMA requires that the evaluation report examine the extent to which the objectives of the proposal are the most appropriate way to promote the sustainable management of natural and physical resources.

An examination of the proposed objectives along with reasonable alternatives is included below, with the relative extent of their appropriateness based on an assessment against the following criteria:

1. Relevance (i.e. Is the objective related to addressing resource management issues and will it achieve one or more aspects of the purpose and principles of the RMA?)

2. Usefulness (i.e. Will the objective guide decision-making? Does it meet sound principles for writing objectives (i.e. does it clearly state the anticipated outcome?)
3. Reasonableness (i.e. What is the extent of the regulatory impact imposed on individuals, businesses or the wider community? Is it consistent with identified tangata whenua and community outcomes?)
4. Achievability (i.e. Can the objective be achieved with tools and resources available, or likely to be available, to the Council?)

## **9.2 Evaluation of Objective AH-O1**

While not specifically required under s32, it is appropriate to also consider alternative objectives to those currently included in the Plan, so as to ensure that the proposed objective(s) are the most appropriate to achieve the purpose of the RMA.

Proposed objective AH-O1: Assisted housing, provided through high density and greenfield development in the Assisted Housing Overlay, supports social diversity, economic vitality and overall wellbeing.			
General intent:			
To initiate a system where developments that take advantage of the significant development potential uplift on the site in the Plan also contribute to assisted housing as community infrastructure that is important to well-functioning urban environments in Wellington City.			
Other potential objectives			
Alternative 1: To not have a specific objective about development contributing to assisted housing.			
Alternative 2: All development throughout the City to contribute to assisted housing.			
	Preferred objective	Alternative 1 – no objective	Alternative 2 – all development
<i>Relevance:</i>			
Addresses a relevant resource management issue	Yes. The objective directly addresses the issue of insufficient stable affordable housing in the City by increasing this housing supply.	In small part. Without an objective and following Assisted Housing chapter, the assisted housing consideration in the City Outcomes Contribution part of the Design Guides help support stable, affordable housing if offered.	Yes. This objective would also directly address the issue of insufficient stable affordable housing in the City by increasing this housing supply.
Assists the Council to undertake its functions under s31 RMA	Yes. The objective is part of Council functions to manage the effects of development of land and physical resources.	Yes. Not having this objective or chapter does not undermine Council undertaking its functions, as demonstrated by other Councils that have not applied an equivalent objective in their district plans.	Yes. The objective is part of Council functions to manage the effects of development of land and physical resources.
Gives effect to higher level documents	Yes. The objective gives effect to NPS-UD Objectives 1 and 4, Policies 1(a), (c), (d), 6(c) and 9(b), and RPS Policy 67	No. Not having this objective or chapter would reduce the environment in NPS-UD Objective 1, would not address the needs in Objective 4, would not help have homes that meet the needs of low to moderate income households in Policy 1.	Yes. The objective would give effect to NPS-UD Objectives 1 and 4, Policies 1(a), (c), (d), 6(c) and 9(b), and RPS Policy 67
<i>Usefulness:</i>			

Guides decision-making	Yes. The objective sets the focus and degree of action.	Yes. Not having an objective would inform decision makers that this topic should only be addressed indirectly.	Yes. The objective sets the focus and degree of action.
Meets best practice for objectives	Yes. The objective is targeted, states what is to be achieved and where, is assessable, and references the issues identified in this Evaluation Report.	N/A	Yes, as this objective would have a similar form as the proposed objective.
<i>Reasonableness:</i>			
Will not impose unjustifiably high costs on the community/parts of the community	Yes. The cost of assisted housing contributions by developers is a justifiable obligation to support assisted housing in areas where high densities and new urban land uses are newly enabled. We anticipate that the assisted housing costs for developers will be offset by land costs being lower than without the Assisted Housing Overlay. We expect a land value increase for landowners whose land is now enabled for higher densities and for rural to urban land uses, relative to land that is not so enabled. The objective and chapter will reduce the level of this land value increase.	Yes. Not having an objective will limit assisted housing methods to City Outcome Contributions considerations. However an indirect cost will be fewer assisted houses for lower and middle income people.	Possibly not for some communities. "Justifiable" depends on the expectation of whether all development should contribute to assisted housing as community infrastructure. This Report accepts it is not justifiable for low-level development outside growth areas to have to provide assisted housing, because: <ul style="list-style-type: none"> <li>Assisted housing is best placed in centres and high density residential zones, near community and commercial services and public transport, so it's development in these areas that should contribute to good urban environments via assisted housing</li> <li>Assisted housing contributions outside the Overlay lacks the land value uplift and development potential uplift to compensate for contributions.</li> </ul>

Acceptable level of uncertainty and risk	Yes. While the level of uncertainty and risk is high, the Council has found this acceptable if it will increase the supply of assisted housing to help address unaffordable housing costs.	Yes. This approach would be a low level of uncertainty and risk, as it returns to design and supportive methods already used in other district plans.	No. The Council has found this level of uncertainty and risk to be too high, particularly the risk that this objective could significantly affect the overall supply of market housing.
<b>Achievability:</b>			
Consistent with identified tangata whenua and community outcomes	Yes. It is consistent with Wellington City's Housing Strategy and the Spatial Plan goals and directions. The additional assisted housing aligns with the goals and principles in the Ngāti Toa Housing Strategy.	Yes, but to a lesser extent as there would be fewer assisted housing choices in the City.	Yes. It would be consistent with Wellington City's Housing Strategy and the Spatial Plan goals and directions. The additional assisted housing aligns with the goals and principles in the Ngāti Toa Housing Strategy.
Realistically able to be achieved within the Council's powers, skills and resources	Yes. Through implementation of the Council's Housing Action Plan, the Council has planners, property lawyers, social and other assisted housing providers, on staff that can deliver this outcome.	Yes. Council's resources listed to the left would be reallocated to the other aspects of the Housing Action Plan.	Yes. Through implementation of the Council's Housing Action Plan, the Council has planners, property lawyers, social and other assisted housing providers, on staff that can deliver this outcome.
<b>Summary</b>			
The proposed objective is the most appropriate means to achieve the purpose of the RMA as it best manages the development of urban environments to enable people and communities to provide for their social, economic and cultural well-being.			

## **10.0 Evaluation of Reasonably Practicable Options and Associated Provisions**

### **10.1 Introduction**

Under s32(1)(b) of the RMA, reasonably practicable options to achieve the objective/s associated with this proposal need to be identified and examined. This section of the report evaluates the proposed policies and rules, as they relate to the associated objective(s).

Along with the proposed provisions, the Council has also identified through the research, consultation, information gathering and analysis undertaken in relation to this topic a reasonably practicable alternative option to achieve the objective/s.

The technical and consultation input used to inform this process is outlined in section 5 of this report.

### **10.2 Evaluation method**

For each potential approach an evaluation has been undertaken relating to the costs, benefits and the certainty and sufficiency of information (as informed by section 5 of this report) in order to determine the effectiveness and efficiency of the approach, and whether it is the most appropriate way to achieve the relevant objective(s).

This evaluation is contained in the following sections.

### **10.3 Provisions to achieve the Objective**

In this evaluation, the Council has assessed its proposed option and a number of alternatives and variations to the proposed option. These are summarised below. The alternatives/variations have similar costs, benefits, risks, efficiency and effectiveness to the proposal. So the summary below only includes the aspects that differentiate why they shouldn't be part of the final proposal.

<b>Proposed approach (recommended)</b>	<b>Costs</b> <i>Direct costs in black, indirect costs in brown</i>	<b>Benefits</b> <i>Direct benefits in black, indirect costs in brown</i>	<b>Risk of Acting / Not Acting if there is uncertain or insufficient information about the subject matter of the provisions</b>
<p><b><u>Policies:</u></b></p> <p>Mandatory contribution towards new assisted housing from building development in the assisted housing overlay.</p> <p><b><u>Rules:</u></b></p> <p>All new buildings and expanded buildings are permitted if they provide at least 10% of the net floor area as assisted housing, or a financial contribution, unless they are an exempt activity. Otherwise, restricted discretionary resource consent required to either achieve a comparative contribution towards new assisted housing, or a declined resource consent.</p> <p><b><u>Other Methods:</u></b></p> <p>Provision of assisted housing within a development is a City Outcome Contribution identified in the Residential and Centres Design Guides. Every % of floor space that is assisted housing gets a point that can be considered as a positive effect in the resource consent application.</p> <p>Use of money received from financial contributions for assisted housing</p> <p>Distribution of financial contributions for assisted housing.</p>	<p><b><i>Environmental</i></b></p> <ul style="list-style-type: none"> <li>No direct or indirect costs have been identified specific to assisted housing.</li> <li>For costs related to City Outcome Contributions more generally, refer to that Evaluation Report.</li> </ul> <p><b><i>Economic</i></b></p> <ul style="list-style-type: none"> <li>As a comparison, an economic assessment (1) of the effect of the inclusionary housing in QLDC to inform their district plan review showed no perceptible negative impact on housing supply, house prices (i.e. no evidence of “affordable” houses altering neighbouring house prices), house size or quality – which are the main concerns raised in international literature and by media commentators.</li> <li>Landowners within the assisted housing overlay will likely have a lower land value than if the overlay did not exist, as people wanting to develop the land further will factor in the assisted housing cost when paying for the properties.</li> <li>New administrative costs for Wellington City Council to: <ul style="list-style-type: none"> <li>Monitor compliance with encumbrances on assisted housing titles and any other retention mechanisms</li> <li>Administer the contestable assisted housing fund to allocate grants and loans to assisted housing projects</li> <li>Enforce retention of the assisted housing long-term.</li> </ul> </li> <li>Minor administrative costs for developers to provide assisted housing directly to the organisations that will manage it, and for the calculation and payment of contributions.</li> </ul> <p><b><i>Social</i></b></p> <ul style="list-style-type: none"> <li>If there is a reduction in overall housing supply (not anticipated, but still a risk), there would be social costs from people on lower incomes who are unable to secure an assisted housing option. They either pay high accommodation costs, or have an increased risk of overcrowding, or are unable to move and settle in Wellington City altogether. This would result in the opposite of the social benefits identified to the right.</li> </ul>	<p><b><i>Environmental</i></b></p> <ul style="list-style-type: none"> <li>No direct or indirect benefits have been identified specific to assisted housing.</li> <li>For benefits related to City Outcome Contributions more generally, refer to that Evaluation Report</li> </ul> <p><b><i>For the economic, social and cultural benefits below ...</i></b></p> <p>The benefits will be there for future generations as well as current generations. This is because the assisted housing is designed to remain as assisted housing for at least 25 years, and probably much longer as they are managed by non-profit organisations. As development gradually contributes to assisted housing over time, the benefits will continue to grow.</p> <p><b><i>Economic</i></b></p> <ul style="list-style-type: none"> <li>Increased amount of assisted housing will give modest positive economic benefits from employment opportunities for low to middle income households by allowing them to live near their employment. There will also be benefits to the local economy from employees and gig workers being in secure, affordable housing in the form of reduced staff turnover, greater pool of workers available and attracted to work in Wellington City, and worker wellbeing. As a comparison, a Sense Partners study for Queenstown-Lakes District Council study calculated that for each worker that is made more secure and stable in their home, community and work, the economic benefit is \$55,000 - \$110,000.</li> <li>The Housing Development projects administered by Wellington City Council (e.g. Te Kāinga) may benefit from assisted housing funding. The assisted housing financial contributions will be collected in a contestable fund and administered independently, so projects that deliver more and better assisted housing with the same money may receive it.</li> </ul> <p><b><i>Social</i></b></p> <ul style="list-style-type: none"> <li>As much as 17% of realisable future housing (from Option 3 draft district plan) could be assisted housing. This increases the number of affordable rentals and other affordable housing types, which could assist a greater diversity of people living in Wellington City. These social benefits will be concentrated in the Centres Zones and the High Density Residential Zone. This is where most</li> </ul>	<p>It is considered that there is certain and sufficient information on which to base the proposed policies and methods as:</p> <ul style="list-style-type: none"> <li>A scenario on the 2022 Housing Capacity Model which tests the effect of a 1% and 2% assisted housing contribution within the Assisted Housing Overlay. The scenario predicts the likely level of contribution for assisted housing, and the likely effect on the housing market within the overlay and Wellington City overall.</li> <li>A social impact assessment of an increased supply of assisted housing provided within the Assisted Housing Overlay.</li> <li>The experience of Queenstown-Lakes District on the requirements and supply of assisted housing. Wellington City is different to Queenstown Lakes, so the numbers and details will not be comparable, but the general outcomes are a useful high-level test in a New Zealand situation.</li> </ul> <p>While there is sufficient information for the Assisted Housing approach, there is still significant uncertainty about how the housing market in Wellington City and the overall region will react to mandatory contributions and City Outcome Contribution policy. This is why the contribution rate is set at a conservative level. Effects on commercial feasibility should be low enough to not affect overall realisable housing supply. Data can be collected on housing supply effects as the district plan provisions move into the proposed Natural and Built Environments Act.</p>

	<p>The social costs would accumulate over time. However, if this did occur, a future plan change or the replacement Natural and Built Environment Plan should change the mandatory contribution.</p> <p><b>Cultural</b></p> <ul style="list-style-type: none"> <li>No direct or indirect costs have been identified.</li> </ul> <p><b>All</b></p> <ul style="list-style-type: none"> <li>Low to medium income households can benefit from new expensive housing as well. The additional housing supply for middle to upper income households frees up older quality homes for other households. This only works if the new homes are used as primary housing: not land-banked, a second home or used as tourist accommodation.</li> </ul>	<p>development contributions will occur, and where policy directs new assisted housing to go.</p> <ul style="list-style-type: none"> <li>New assisted housing is more secure housing at a more affordable level – typically 35% or less of household income, or 45% or less for housing, transport and heating. This greatly improve multiple social outcomes for the households in the assisted housing and the surrounding communities: <ul style="list-style-type: none"> <li>a more cohesive and diverse community</li> <li>reduced violent offence arrests and reported crime</li> <li>reduced diabetes and other positive health outcomes</li> <li>children can stay in one school, which leads to numerous positive educational outcomes</li> <li>less household stress</li> <li>an improved ability to participate in society.</li> </ul> </li> <li>Public service workers: teachers, healthcare staff, police, that have access to assisted housing can live in the area where they work, serve and play.</li> <li>Increased educational, employment and recreational opportunities in Wellington City for people in lower income households.</li> </ul> <p><b>Cultural</b></p> <ul style="list-style-type: none"> <li>Potential for increased uptake in Māori cultural practices and community outcomes if assisted housing is used to support local Māori to live within 30 minutes of an ancestral marae.</li> <li>Potential for improved access to cultural sites (e.g. religious buildings, cultural centres) by focusing assisted housing in high density areas, particularly for ethnic communities with lower levels of home ownership and higher levels of rental instability.</li> </ul>	
<p><b>Effectiveness and efficiency</b></p>	<p><b>Effectiveness</b></p> <p>The Housing Capacity Model scenario demonstrates that the proposal will help achieve the objective. This in turn will help address the issue of insufficient stable affordable housing in Wellington City which cannot be solely resolved by more enabling land use regulations.</p> <p>The proposal is not the only, or even the main, method to address this issue. The main method is the construction of new housing in Wellington City's high and medium growth areas specifically for low to medium income households. Many organisations are contributing to this.</p> <ul style="list-style-type: none"> <li>Wellington City Council has a target of building 1,000 new assisted houses in five years.</li> <li>Kāinga Ora is committed to building more social housing, other assisted housing types, affordable housing (e.g. KiwiBuild) and market housing.</li> </ul>	<p><b>Efficiency</b></p> <p>The provisions are likely to achieve the objective at the least cost/highest net benefit to the community, based on the above analysis of costs, benefits and risk.</p> <p>The Property Economics economic assessment October 2021 discussed pareto optimal solutions that optimise the feasible capacity for new housing, and the contributed funds (and dwellings) for assisted housing. Having identified a set of pareto optimal solutions, the “best” (and most efficient) solution is dependent on the relative weights applied to each objective function.</p> <p>In this assessment, more weight is given to retaining sufficient feasible development capacity to meet market needs, plus at least a 20% competitive margin. This comes from:</p> <ul style="list-style-type: none"> <li>The obligations in the NPS-UD Policy 1(d) (support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets) and Policy 2 (provide at least sufficient development capacity to meet expected</li> </ul>	

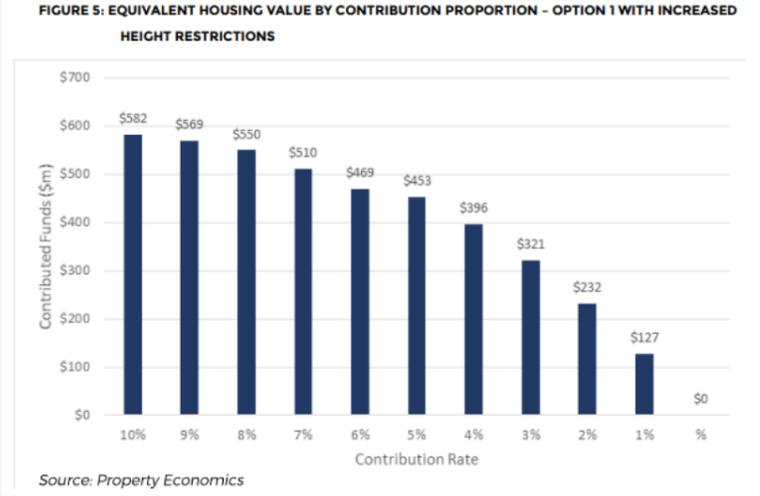
	<ul style="list-style-type: none"> <li>Kirva Trust, Dwell, and other community and iwi housing organisations are currently building hundreds of new assisted houses in Wellington City.</li> </ul> <p>The assisted housing mandatory contributions and City Outcome Contribution assessments are expected to add around 50 – 100 new assisted houses per year that would not otherwise be built. This is a substantial benefit to the assisted housing supply. However, these contributions from development in the assisted housing overlay is a minority contributor overall. This does not diminish the proposal’s effectiveness. It shows that contributions from development towards social infrastructure like assisted housing is an important contributor to overall supply. This is similar to how development pays for infrastructure and other assets (e.g. playgrounds) for the community. At current levels, it is a minority contributor compared to rates. But it is still an effective tool.</p> <p>This proposal will only be effective in this form for a limited period of time: from when the Assisted Housing chapter is beyond challenge (after any appeals are completed), to when the regional NBA plan supersedes it.</p> <p><b>Effectiveness of the City Outcomes Contribution method</b></p> <p>Non-profit developers such as community housing providers and Kāinga Ora would find this variation attractive in some locations where the potential for density is high but the height controls are low. For-profit developers would not find this option attractive, as there are other city outcome contributions that can also be considered for over-height building applications that increase saleability: public open space, accessibility, energy efficiency, etc. Assisted housing provision will not increase saleability for their new residential units.</p> <p>Around 450 additional assisted housing units could be built from this variation over 30 years across Wellington City.</p>	<p>demand for housing over the short, medium and long term.) “Sufficient” must meet the expected demand plus the appropriate competitiveness margin.</p> <ul style="list-style-type: none"> <li>The priority in the Wellington City Spatial Plan for housing to be affordable, accessible, a range of housing types and densities, and enough to go around.</li> <li>The proposal being new to Wellington City (and nationally), and the need to assess its effects before increasing the contribution level or scope any further.</li> </ul> <p>This means that costs are relatively low. While the proposal is operative, the costs are likely to be focused on lower land values than would otherwise exist, and administrative costs for the Council. Noting that the overall land values within the Assisted Housing Overlay will likely still be higher than under the previous district plan due to the increased development potential.</p> <p>The benefits, while not as high as they could be, are still considerable.</p>	
<p><b>Variation 1: controlled activity status for assisted housing</b></p> <p>Multi-unit developments that meet zone standards where all residential units are assisted housing are assessed as controlled activities, rather than restricted discretionary activities like other multi-unit developments</p>	<p><b>Costs</b></p> <p>The Social Impact Assessment found that potential social effects arising from option one on the communities of Tawa, Johnsonville, Te Aro and the wider city may lead to unintended negative effects. These include potential community anger at being locked out of decision making processes; and the potential for slower development of affordable and public housing due to the risk of alternative engagement approaches being required. The likelihood of this effect occurring is almost certain as it has occurred in New Zealand in the recent past. The severity of effect is judged to be moderate.</p> <p>The fewer design controls and assessment under a controlled activity consent could allow for development with poor urban design.</p>	<p><b>Benefits</b></p> <p>Interviews conducted through the Social Impact Assessment found that assisted housing providers use of controlled activity status, particularly Kāinga Ora and Wellington City Council, would not result in more assisted housing, and for Kāinga Ora would almost certainly slow their ability to bring in new public housing units.</p> <p>Potentially &lt;0 new housing units over time.</p>	<p><b>Risk of acting/not acting</b></p> <p>The risk of adverse community resistance from this variation is greater than the risk of not acting. For example, Dwell Housing Trust believes a standard resource consent process is helpful as it allows Dwell to inform neighbours that their proposed development meets the district plan requirements and will follow due process.</p>
	<p><b>Effectiveness</b></p> <p>This variation will likely not be effective at increasing assisted housing supply, and could make the supply more difficult through opposition coming from other channels (community protests, judicial reviews etc).</p>	<p><b>Efficiency</b></p> <p>As the effectiveness is negligible or negative, efficiency is also nil or negative.</p>	
<p><b>Variation 2: contribution from over-height development</b></p>	<p><b>Costs</b></p> <p>Some community members are concerned about over-height development in character precincts adversely</p>	<p><b>Benefits</b></p> <p>The Social Impact Assessment found that over-height developments are likely to be focused in the city centre and</p>	<p><b>Risk of acting/not acting</b></p> <p>This Variation could discourage developers from optimising the use of their site, by staying within the height limit even if</p>

<p>Developments that are over a maximum height standard contribute around 10% of the market value of the floors above that maximum height towards assisted housing</p>	<p>affecting the character being maintained. This effect would not be as significant as feared, as the assisted housing benefits are only one factor in the overall over-height assessment. It is not a guarantee that over-height resource consents will be granted.</p> <p>The costs to most landowners and developers would be lower than the proposed approach. Most development taking place within the maximum height limits would not contribute to assisted housing. However, the cost to developers who build above the height limit would be significant.</p>	<p>Johnsonville (the extent of the analysis, along with Tawa), with 203 units in these areas. These effects are likely to extend to inner city suburbs and Kilbirnie which have similar property values and district plan controls.</p> <p>Overall, the potential social effects arising from this additional supply of public/social housing and affordable rental are projected to be moderate positive. The likelihood this effect would occur is possible. These benefits are summarised and are similar to those detailed in the proposed approach.</p>	<p>the site and the neighbourhood would benefit from a taller building.</p>
	<p><b>Effectiveness</b></p> <p>Non-profit developers such as community housing providers and Kāinga Ora would find this variation attractive in some locations where the potential for density is high but the height controls are low. For-profit developers would not find this option attractive, as there are other city outcome contributions that can also be considered for over-height building applications that increase saleability: public open space, accessibility, energy efficiency, etc. Assisted housing provision will not increase saleability for their new residential units.</p> <p>Around 450 additional assisted housing units could be built from this variation over 30 years across Wellington City.</p>	<p><b>Efficiency</b></p> <p>This variation is not as efficient as the proposed approach. It targets developments that exceed height limits rather than areas that have been given additional height under the district plan. This means that the amount of contributions for assisted housing is not optimised for the amount of housing that is commercially feasible and realisable.</p>	
<p><b>Variation 3: contribution from all development</b></p> <p>All developments in the City contribute 1-2% of their market value towards assisted housing.</p>	<p><b>Costs</b></p> <p>The costs of this variation are likely to be greater than the relative extension of contribution from development within the assisted housing overlay to within Wellington City. This is because contributions will come from land that has not had increased development potential enabled in the Proposed Plan. These landowners do not benefit from this increased capacity so the effect on the commercial feasibility of development is likely to be greater.</p>	<p><b>Benefits</b></p> <p>Overall, the benefits described above for low to medium income households who get to live in assisted housing, and the benefits to the wider community and economy from the increased social and economic diversity and opportunity are increased by the same proportion.</p>	
	<p><b>Effectiveness</b></p> <p>This variation is more effective than the proposed approach as there are more contributions towards assisted housing.</p> <p>Developments outside the City's growth areas that supply assisted housing directly are less effective at overall affordability and community support. These areas are more isolated from community services and more dependent on cars for everyday journeys. This increases transport costs and energy costs overall compared to housing in the city and suburban centres and key transport corridors.</p>	<p><b>Efficiency</b></p> <p>This variation is less efficient than the proposed approach, because the additional contributions from properties outside the assisted housing overlay come at a higher cost to development feasibility and property value. The contributions are not focused on high growth areas of the City with significant development uplift, but are distributed on all development</p>	<p><b>Risk of acting/not acting</b></p> <p>This variation may have more landowner challenges to the contribution policy and its application, as the contributions from non-growth areas will be spent outside of the local community and have a greater effect on the commercial feasibility of projects that do not benefit from the Proposed Plan's significant height increases.</p>
<p><b>Variation 4: only contributions from greenfield development</b></p> <p>Land identified for new urban development on previously rural land in the Special</p>	<p><b>Costs</b></p> <p>Administration costs would be lower. The system for greenfield contributions could be based on rezoning and/or subdivision of the land, similar to the system used by Queenstown-Lakes District Council. The fewer applications that trigger contributions would be easier to anticipate and manage.</p>	<p><b>Benefits</b></p> <p>The benefits from this variation would be significantly lower, as only 1,500 new homes are estimated in greenfield areas over the next 30 years. This is around 5-8% of the total new homes planned for. The amount of contributions for assisted housing would only be about \$32.4 million inflation adjusted over 30 years, or 75 assisted houses for low to middle income households in Wellington City. This applies an average stand-alone house size around 180</p>	

<p>Purpose Future Urban Zone and/or as development areas, contribute to assisted housing as a condition of subdivision – similar to Queenstown-Lakes District Council’s approach.</p>	<p>m<sup>212</sup>. While 15 ha is zoned for new industrial areas, the proposed approach does not apply to buildings at ground level and any mezzanine, so generally would not apply to most industrial development.</p> <p>Landowners in the assisted housing overlay who are not greenfield landowners can receive the full benefit of the maximum height increases without the extra costs of assisted housing contributions if they develop the land.</p>	
	<p><b>Effectiveness</b></p> <p>Effectiveness would be significantly lower than the proposed approach, because the contribution amounts result in far fewer assisted houses to address the planning issue in this assessment.</p>	<p><b>Efficiency</b></p> <p>This variation would be more efficient than the proposed approach. The small number of greenfield developments and the simpler process would make this option more efficient (but not effective).</p>
<p><b>Variation 5: only contributions from ‘brownfield’ development</b></p> <p>The proposed approach, but excluding the greenfield development areas described in Variation 4.</p>	<p><b>Costs</b></p> <p>New landowners and “spec” builders of new residential and commercial sections will have lower costs by not paying the assisted housing contributions. This could be around \$32.4 million (see ‘benefits’ to the right). Without these costs, the landowners are likely to increase the sale price of the new sections back to a market rate without contributions, thus transferring the cost reduction/benefits back to the landowners.</p>	<p><b>Benefits</b></p> <p>At full development, greenfield subdivisions could generate \$32.4 million inflation-adjusted in assisted housing contributions. This comes from around 1,500 new houses, with an average stand-alone house size around 180 m<sup>213</sup>. While 15 ha is zoned for new industrial areas, the proposed approach does not apply to buildings at ground level and any mezzanine, so generally would not apply to most industrial development.</p> <p>This variation would reduce the benefit of these contributions for assisted housing. If each assisted house cost \$430,000, this would mean 75 fewer assisted houses for low to middle income households in Wellington City.</p>
	<p><b>Effectiveness</b></p> <p>This variation is less effective at enabling assisted housing resulting from urban development, to the extent of the numbers discussed above.</p>	<p><b>Efficiency</b></p> <p>This variation is about as efficient as the proposed approach. While benefits are lower, costs are also lower.</p>
<p><b>Variation 6: contributions based on market value.</b></p> <p>The proposed approach, but the contribution rate is based on the market value of the development, not a set rate per m<sup>2</sup> floor space.</p>	<p><b>Costs</b></p> <p>Significantly higher administration costs: independent valuations, Environment Court and High Court challenges on calculation rates and process, delays in collection of contributions. The variable perception of market value over time also mean that similar developments could be paying different amounts. Contributions may be recalculated as sales values differ from market estimates.</p> <p>More expensive developments would pay more than equivalently sized affordable developments.</p>	<p><b>Benefits</b></p> <p>The benefits should be generally the same as the proposed approach.</p>
	<p><b>Effectiveness</b></p> <p>Effectiveness of this variation may be reduced slightly, from delays to market valuations and legal challenges.</p>	<p><b>Efficiency</b></p> <p>The higher administration costs and delays resulting from legal challenges reduce the efficiency of this variation compared to the proposed approach.</p>
<p><b>Variation 7: a much higher contribution rate</b></p> <p>The proposed approach, but with a contribution rate based on a distribution principle</p>	<p><b>Costs</b></p> <p>The costs to developers would triple compared to the preferred option. This will make some development projects unviable. There would likely be a drop in development projects within Wellington City compared to the other cities within Wellington.</p>	<p><b>Benefits</b></p> <p>The 2021 economic assessment showed that increasing floorspace potential in the district plan means that an increase in contribution rates can increase the total contribution funds, with a tail-off at around 10% as the reduced commercial feasibility increases. The amount of assisted housing can be significantly higher, with significant benefits to households who</p>

<sup>12</sup> <https://www.stats.govt.nz/news/new-homes-around-20-percent-smaller>

<sup>13</sup> <https://www.stats.govt.nz/news/new-homes-around-20-percent-smaller>

<p>rather than economic assessment: 6% - 7%.</p>	<p>In the long term, most of these costs (in theory) would be transferred to lower land value for landowners.</p>		<p>cannot afford market rents and houses. The numbers in the graph below draw from Te Aro, Johnsonville and Tawa, and should only be used as comparative values.</p>  <p>FIGURE 5: EQUIVALENT HOUSING VALUE BY CONTRIBUTION PROPORTION - OPTION 1 WITH INCREASED HEIGHT RESTRICTIONS</p> <table border="1"> <thead> <tr> <th>Contribution Rate</th> <th>Contributed Funds (\$m)</th> </tr> </thead> <tbody> <tr><td>10%</td><td>\$582</td></tr> <tr><td>9%</td><td>\$569</td></tr> <tr><td>8%</td><td>\$550</td></tr> <tr><td>7%</td><td>\$510</td></tr> <tr><td>6%</td><td>\$469</td></tr> <tr><td>5%</td><td>\$453</td></tr> <tr><td>4%</td><td>\$396</td></tr> <tr><td>3%</td><td>\$321</td></tr> <tr><td>2%</td><td>\$232</td></tr> <tr><td>1%</td><td>\$127</td></tr> <tr><td>0%</td><td>\$0</td></tr> </tbody> </table> <p>Source: Property Economics</p>	Contribution Rate	Contributed Funds (\$m)	10%	\$582	9%	\$569	8%	\$550	7%	\$510	6%	\$469	5%	\$453	4%	\$396	3%	\$321	2%	\$232	1%	\$127	0%	\$0
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	<p><b>Effectiveness</b></p> <p>This approach follows a principle that development proponents should meet a third of the costs of providing assisted housing infrastructure, while government is responsible for providing the balance. If around 20% of housing should be long-term affordable for residents to build a good quality urban environment, then housing or financial contributions should be provided at 20% / 3 = 6.7% of all housing as assisted housing.</p> <p>The 2021 economic assessment found that a 6-7% contribution rate could reduce the commercially feasible development levels by about 45%. Commercial feasibility has increased through higher property values and enabling land use controls in the Proposed District Plan, so realisable capacity may not be affected as significantly. However, these high costs could tip development significantly in favour of other more suburban centres in the Wellington Region that do not have this contribution.</p>	<p><b>Efficiency</b></p> <p>While the benefits from the variation are high, the costs in lost development are also potentially high. While this may be an option in the future under the new regional-level Natural and Built Environments Plan, it is unlikely to be as efficient as the proposed approach for Wellington City at this time.</p>	<p><b>Risk of acting/not acting</b></p> <p>This variation has a significant risk of an overall drop in housing supply in the long term. With the contribution rates being factored into land prices, the lower land value makes renovation and replacement of existing houses a more lucrative proposition than redevelopment for multiple houses, because the former does not incur assisted housing contributions.</p> <p>This does not resolve the long term issue of housing supply that is below the level needed for a healthy housing market with affordable rentals.</p> <p>The effects of this variation are highly uncertain, and not in line with the precautionary approach taken with the proposed approach.</p>																								
<p><b>Overall evaluation</b></p>	<p>The proposed approach is the most efficient and effective way of achieving the objectives, based on currently known information, and based on the Wellington City 2022 context of this evaluation:</p> <ul style="list-style-type: none"> <li>• A significant and rapid increase in property values since 2016, and particularly during the COVID-19 emergency actions in 2020 and 2021.</li> <li>• Uplift in district plan development potential, in building height and density, in part resulting from the NPS-UD and national medium density residential standards</li> <li>• Wellington City as just one of five territorial authorities within the Wellington Tier 1 urban environment (NPS-UD), and the other four authorities not introducing assisted housing contributions at this time</li> <li>• The legal constraints in the RMA and its national direction on how “inclusionary housing” methods can be applied in district plans</li> <li>• This being the first notification of assisted housing contribution rules in New Zealand’s district plans</li> <li>• Resource Management Reform potentially providing national guidance and tools for local authorities to apply inclusionary housing methods in the future.</li> </ul> <p>The most efficient and effective approach may change over time with RM Reform, integrated planning across Greater Wellington, experiences and data from Wellington City, Queenstown-Lakes District Council, and any other territorial authorities that introduce similar methods, and a change in housing development patterns over time.</p>																										

References for cost-benefit assessment above:

- (1): Sense Partners (2020). The economic case for Inclusionary Zoning in QLDC.
- (2): Quigley and Watts (2021). Assessment of potential social effects from the draft District Plan's inclusionary zoning provisions.

## 11.0 Evaluation of questions raised about the Proposed Approach

The proposed policy approach is a novel method, in the New Zealand context, to help increase the supply of assisted housing. People have raised many questions testing the proposal. This Report uses these questions to structure a more detailed evaluation of the Assisted Housing chapter's approach.

The answers below should be useful for the Plan's submitters and Independent Hearing Panel when preparing and considering submissions.

### **Why should development contribute towards new assisted housing?**

Requiring development to contribute towards well-functioning urban environment is a standard planning practice. Contributions are made for roads, parks, 3 waters, glazing and active frontages on pedestrian-friendly streets, etc. With Wellington City's persistently high cost of housing, assisted housing is a form of "social infrastructure" which is essential for successful communities. The development contributions help provide stable housing that lower and middle income people can afford. This housing supports well-functioning urban environments through a more diverse social-economic environment, and workers able to live near jobs, schools and services.

It is not the "responsibility" of development to provide *all* the assisted housing. Under the Proposed Approach, most assisted housing will still come from Kāinga Ora (via taxes) and Wellington City Council (via rates). For example, Kāinga Ora is building 380 new assisted houses (social and supported housing in this case) at Arlington Street and Rolleston Street, and is investigating redevelopment of their housing stock in Strathmore. The Council's Te Kāinga programme is constructing 1,000 new assisted houses within 5 years.

The assisted housing contributions from development, on the other hand are expected to add  $(x - y)$  new assisted houses per year. The range is because we won't know how much the assisted housing fund's grants and/or loans will be used to subsidise or incentivise new assisted housing until the fund has been operating for a few years.

### **Why should multi-unit housing have to contribute, when these developments are helping resolve the underlying problem?**

Yes, multi-unit housing is essential to help resolve the long-term housing supply issues contributing to unaffordable housing. The Plan enables this through implementing the medium density residential standards, the National Policy Statement for Urban Development, and the Wellington City Spatial Plan's actions.

Housing prices are affected by other factors as well: cost and availability of credit, the availability and quality of rental housing for the demand, migration levels in Wellington City, government regulation, etc. These mean that the price of housing for low to middle income households can remain high even while new multi-unit housing is being built.

To retain and enhance well-functioning urban environments, development that adds to the density of buildings and activities should help ensure that low to middle income households can be part of and contribute to the community.

However, this contribution must be done in a way that does not significantly reduce the supply of multi-unit housing in these communities. Otherwise, the minority of people who can

get into assisted housing will be outweighed by the rest of the community paying higher prices for fewer market houses.

### **Why are developments in the assisted housing overlay the only ones contributing?**

Three reasons: to avoid reductions in the overall supply of housing, for quality high density urban environments planned in the overlay, and as value-sharing for increased development potential.

#### Avoid reduction in housing supply

the properties in the assisted housing overlay have significantly higher building heights enabled in the Plan. The maximum heights are at least 4 m more *and* 33% more than in the previous District Plan, and may be able to go higher still through City Outcome Contributions. This, combined with recent large land value increases, significantly increases the commercially feasible development capacity of these properties.

A mandatory assisted housing contribution will increase the development costs, reducing the commercially feasible capacity. However, the Council's 2022 housing capacity model indicates that the commercially feasible capacity will still be higher than the realisable rate of construction. This realisable rate depends on market demand.

For larger developments, we anticipate that the cost of assisted housing contributions may be factored into land prices. This would further protect against any reduction in market housing supply. When developers consider how much to pay for land, they take the likely sales price of their development and subtract the development costs and a developer profit/risk margin to get to a price they are willing to pay. In a competitive market, and with the assisted housing contribution applying to all building development of the site, in theory a lower land price (when compared to no assisted housing contribution) will offset the developer cost.

#### High density development

Assisted housing for well-functioning urban environments is more important in the City's higher density areas: City Centre, suburban centres, high density residential, and medium density residential enabling up to 4 storeys. Low to medium income households benefit from living here because active transport and public transport is available for more trips, community services are nearby, and higher density living reduces household energy use (on average). This means overall household costs are lower, not just rent, lease and mortgage payments for housing.

Businesses and community services such as schools, healthcare and sports are more common in denser urban environments. They also benefit from having socio-economically diverse households living nearby, as employees, entrepreneurs, public servants and volunteers.

This increased importance of assisted housing within the overlay supports the need for development in the overlay to contribute towards it – either on-site or elsewhere in the overlay via financial contributions.

#### Value-sharing for increased development potential

This third reason is less significant than the first two, but is still relevant. The government enables Councils to reserve development rights (in the district plan) through objectives, policies and methods to achieve integrated management of the effects of the use, development, or protection of land and associated natural and physical resources of the

district, including development capacity of housing and business land to meet demand. Councils also have the power to charge a payment for development to achieve the purpose of the Resource Management Act and the objectives in national direction, policy statements and plans.

The Plan grants significant additional development rights to landowners and developers within the Assisted Housing Overlay. When those additional development rights are realised as new buildings are developed, there is an increased obligation on developers to contribute towards public outcomes. In the Plan, these outcomes include social diversity, economic vitality and overall wellbeing through provision of assisted housing.

The contribution towards assisted housing is only a portion of the overall land value uplift and development potential uplift resulting from the enabling land use controls in the Plan.

### **Why are greenfield developments included in the assisted housing overlay?**

Assisted housing contributions and similar methods have often focused on greenfield development, i.e. conversion of rural land to urban land. Queenstown-Lakes District Council’s proposed plan change for affordable housing includes contributions from greenfield subdivision and rezoning.

Wellington City has comparatively few greenfield developments proposed. In the Spatial Plan, the greenfield areas of Upper Stebbings, Glenside West, Lincolnshire Farm and Hyde farm collectively will add around 1,500 new houses and 15 ha of industrial activities. This is about 4.7% to 7.5% of the expected new housing in Wellington City over the next 30 years. While small, this is still significant. Its smaller contribution is not a reason to not apply assisted housing contributions.

An assessment of whether the rationale for assisted housing contributions (from the analysis above) work with greenfield development is below.

<b>Rationale</b>	<b>Application to greenfield</b>
Development should contribute to well-functioning urban environments	Greenfield subdivisions are required to contribute to ‘hard’ and ‘soft’ infrastructure to form the new urban environment.
Development adding buildings and activities should help ensure that low to middle income households are part of the community	Development area plans for greenfields in Wellington City do not have any obligation to provide for low to middle income households. To be profitable with the high cost of earthworks, roading and new horizontal infrastructure, sections and houses must be marketed to higher income households. A greater mix of more affordable housing options would be beneficial. However, these should ideally be located in Wellington City’s high growth area with good access to transport and local services.
Assisted housing contributions should not significantly reduce overall market supply of housing	Greenfield developments in Wellington City are on large areas of land owned by only a few developers. This means streets can be developed, sections drawn and houses built, at a rate to meet but not exceed market demand, and to optimise construction costs. Contributions for assisted housing, whether land, money or provision of houses directly, is unlikely to affect the overall housing supply.

Priority for assisted housing in high growth areas	Assisted housing should ideally be located in more connected, more mixed-use urban environments than the outer suburbs, for the reasons discussed above. However as the Queenstown-Lakes Community Housing Trust has demonstrated, assisted housing contributions from these areas are beneficial to families and communities in the City overall.
Development potential uplift should come with a contribution for social infrastructure	Greenfield developments have significant development potential uplift, and corresponding land value uplift, when their land is rezoned and serviced for development – even more than upzoning in urban areas. For example, Motu (2007) <sup>14</sup> found that value of land inside the Auckland Metropolitan Urban Limit ranged from 4.5 to 13.2 times the value of land just outside the MUL.

### **Why do permitted housing and commercial developments have to contribute?**

The medium density residential standards in the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 permitted up to three buildings at around 3 storeys high on a residentially-zoned site, subject to some development standards. Resource consents are not needed. However, the same amendment act added that financial contribution rules can be made for any activity class (except prohibited). This change makes clear that development can still be required to contribute towards purposes specified in a district plan.

If some permitted activities were excluded from contributions, this would introduce a small incentive to under-develop the site. This is contrary to the Plan’s objectives and policies for land within the Assisted Housing Overlay and would be an inefficient use of land. The Plan generally does not limit under-utilisation of land, with the exception of the City Centre Zone’s minimum height limit. However it would be inconsistent for the Plan to disincentivise denser development in this Overlay.

Excluding certain land uses also makes the policy intent and rule structure more complicated, with loopholes created. For example, if three houses on a site do not have to pay contributions, should a developer subdivide first and then build 1-3 houses on each new allotment to avoid the contribution? Rules to carry the intent of a contribution exclusion policy to cover any scenario would get complicated.

Ultimately, the rationale for assisted housing contributions outlined above apply whether the development is small or large.

### **How did you decide on the contribution rate?**

The Economic Assessment (October 2021)<sup>15</sup> noted that the decision about what was “best” depends on which objectives should be optimised: contributed funds, or commercially feasible capacity. Commercially feasible capacity was weighed as high priority, while

<sup>14</sup> Grimes A., Liang, Y. *Spatial Determinants of Land Prices in Auckland: Does the Metropolitan Urban Limit Have an Effect?* Motu Working Paper 07-09, Motu Economic and Public Policy Research. August 2007. [https://www.motu.org.nz/wpapers/07\\_09.pdf](https://www.motu.org.nz/wpapers/07_09.pdf)

<sup>15</sup> Property Economics. *Wellington City Inclusionary Zoning Options Economic Assessment*. Project #52114, October 2021. [https://planningforgrowth.wellington.govt.nz/\\_data/assets/pdf\\_file/0025/16990/2021-10-26-WCC-Inclusionary-Zoning-Quantitative-Assessment-Property-Economics.pdf](https://planningforgrowth.wellington.govt.nz/_data/assets/pdf_file/0025/16990/2021-10-26-WCC-Inclusionary-Zoning-Quantitative-Assessment-Property-Economics.pdf)

contributed funds for assisted housing is also important. This drew from discussions with Council and taking account of the NPS-UD directions to provide sufficient development capacity for demand plus a competitive margin.

The other reason for a lower rate is a precautionary approach. Case law<sup>16</sup> has supported a precautionary approach in RMA provisions when the supporting information is incomplete and the environmental outcomes uncertain. Mandatory assisted housing contributions from development is a new method in New Zealand. Overseas examples have had varying degrees of success, with Australia's examples being based on a housing development, social, cultural and political system most similar to ours. The risk of high contribution levels significantly undermining the development of new housing is very risky when Wellington City has a shortfall of housing. The comparative attractiveness of Wellington City vs other territorial authorities in the Wellington Region without assisted housing contributions is also a factor. A low rate was preferred. The effects of this rate on overall housing supply can be monitored. Rates can be increased under a future NBA plan if appropriate.

The contribution level was initially formulated based on a 2% market value of the new buildings. This was not efficient or effective, because:

- Higher value development would contribute more than lower value developments of the same size. But the obligation to contribute towards assisted housing outcomes comes from relative building size and density, not market value.
- Market value calculations require valuations, which can be challenged in the Environment Court, adding to costs and delays.

Instead, the contribution is based on 2% of the construction cost of an average affordable apartment in Wellington City. This is a set amount that can be applied at a per m<sup>2</sup> rate, mitigating the risk of unfair valuations and legal challenges. This per m<sup>2</sup> rate does mean that more expensive (per m<sup>2</sup>) dwellings will pay less of their overall value in assisted housing contributions, and larger stand-alone houses will pay more, per residential unit, than apartments because the stand-alone houses are much larger (averaging 180 m<sup>2</sup>) and typically have a lower per m<sup>2</sup> build cost.

The contribution rate is sourced from the following inputs:

- A 70 m<sup>2</sup> residential unit. This is because most assisted housing will be one to three bedrooms, with 70m<sup>2</sup> being a typical average size.
- The cost of constructing this new apartment is about \$420,000 (estimate from Wellington City Council's Housing Development Team's advice).
- Land cost is not included in this amount because:
  - The proportion of land cost is relatively lower in high density development.
  - The land cost will vary significantly depending on if an organisation is redeveloping a site already owned or buying it on the open market, and the number of units being built on the land.
  - It has the advantage of partly reducing the high total contribution by large stand-alone houses discussed above.
- This construction cost equates to \$6,000 per m<sup>2</sup>.
- 2% of this construction cost (per m<sup>2</sup>) is \$120 per m<sup>2</sup>. This becomes the assisted housing contribution for new development in the assisted housing overlay.

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<sup>16</sup> Refer to [https://www.rmla.org.nz/wp-content/uploads/2017/09/RMJ\\_August-2015\\_final.pdf](https://www.rmla.org.nz/wp-content/uploads/2017/09/RMJ_August-2015_final.pdf) for a summary of this case law.

- The contribution amount increases annually by the rate of construction cost inflation as calculated by Statistics NZ.

**Will the contribution costs just be added to the overall cost of housing, making the issue worse?**

The price of new housing is usually set at the market price, not a “cost + financial contribution” price. It would be unusual for a multi-unit developer to sell units at a price below what buyers are willing to pay. Because the assisted housing contribution regime is being introduced with the Plan as part of enabling of more development overall, the contribution cost is expected to be factored into the prices paid for land rather than increasing the cost of apartments.

**Will the mandatory contribution make developments unviable?**

Overall, the number of developments in the city is unlikely to be reduced due to the mandatory contribution.

The mandatory contribution is likely to make some potential developments unviable. However, development margins for individual proposals are never an excuse for not meeting district plan obligations. Otherwise, all sorts of badly designed buildings with adverse environmental effects would be allowed. As with all other standards (e.g. minimum heights, minimum apartment sizes), if meeting them means that a development option is not viable, then it’s not viable. A different development proposal can be submitted. Or the land can be sold to another landowner or developer at a price that accounts for the financial contribution cost, thus making the development viable.

**Why should development that is providing housing at affordable levels have to also contribute towards assisted housing?**

A house or apartment may be relatively affordable, but the Plan’s policy is to increase the supply of secure, retained affordability long-term. Housing that is affordable just because it is small, a budget design or poor location is not always a good outcome and no guarantee it will remain “affordable” in the open market. If the housing is truly at the affordable end, the developer looks to sell 10% of them to a community housing provider or other organisation at a slight discount. This would meet the contribution requirement, and no financial contributions are required.

**What happens to mandatory contributions if a development provides assisted housing as part of an above-height building application under the City Outcomes Contribution?**

For the City Outcomes Contribution to be considered, at least 10% of the floor area in the Neighbourhood Centre and Local Centre zones, and 20% of the Metropolitan Centre, Medium Density Residential and City Centre Zones must be assisted housing. This can meet Rule AH-R1.1(g) and no financial contributions are required.

**How will the assisted housing remain long-term?**

All assisted housing created under this Plan chapter, whether through direct contribution under Rule AH-R1.1(g) or through financial contributions, must have an encumbrance registered as first charge against each title of the assisted housing to guarantee that they remain assisted housing for at least 25 years.

To remain assisted housing, the residential units must also be managed by a government, local government, iwi authority, community housing provider or other similar organisation, and occupied by people or households at below market rates that are affordable as measured by the Wellington Housing Affordability Model.

## 12.0 Conclusion

This evaluation has been undertaken in accordance with section 32 of the RMA to identify the need, benefits and costs and the appropriateness of the proposal having regard to its effectiveness and efficiency relative to other means in achieving the purpose of the RMA. The evaluation demonstrates that this proposal is the most appropriate option as it:

- Contributes to assisted housing as key social infrastructure in Wellington City's high growth areas
- Is unlikely to significantly decrease overall supply of housing
- Helps address the national, regional and local directions to support affordable housing
- Provides resources for stable housing for Māori and other groups with limited housing options
- Is connected to the significant increase in development potential enabled through the Plan.
- Helps to build a system of assisted housing that can be applied in the Wellington Region under the proposed Strategic Planning Act and Natural and Built Environment Act.

## Appendix 1: Feedback on Draft District Plan 2021

Rows in yellow represent a collection of feedback, or an organisation.

Name	Option 1	Option 2	Option 3	Option 4	Brief of central points
"A City for People" submitters	✓	✓	✓		More flexible, raises revenue
"Character precinct" submitters		x			Opposes height bonuses for assisted housing
Christine McCarthy				✓	Also include all developments to contribute
Colin Fraser					General support for options.
Dolf & Francesca van Asbeck-Pouwer	x	x	x	✓	Option 4 ensures pepper potting, avoids ghettos. Need firm regulation.
<a href="#">Dwell – Alison Cadman</a>	✓	✓	✓	✓	Option "3.5" is most appropriate.
Inner City Wellington			✓	✓	Strong support for the chapter – make mandatory
Joanna Laurenson			✓		Wants all multi-units to be x% assisted, x% affordable.
<a href="#">Kainga Ora</a>	x	x	x	x	Opposes assisted housing as a separate activity – equal playing field.
<a href="#">Lincolnshire Farms/Stebbing</a>			x	x	Option 3 a council tax, Option 4 legalised theft, limits residential growth
Living Streets Aotearoa – Ellen Blake		✓	✓	✓	Support section and FCs
Matt Levine, Alicia Blaikie					Support principle of assisted housing.
Michelle Kennedy				✓	Mandatory = proportionally more affordable
Mt Cook Mobilisation – Jennie Reid	✓	✓	✓	✓	"Appreciate inclusion of this chapter"
National Council of Women of NZ			✓	✓	More integration of assisted housing with private developments
Owen Watson		x			Opposes height bonuses for assisted housing
<a href="#">Property Council New Zealand</a>	✓	✓	x	x	Want incentive-based, mandatory = less growth, indirectly higher prices
Terence Priggen	✓	✓	✓		Options will supply more affordable + social housing options
Stephanie Love				✓	Retain assisted housing chapter as minimum, prioritise public housing
<a href="#">Stratum Management Ltd.</a>	x	x	x	x	Tax on new development, adds cost, making development uneconomic
<a href="#">Stride Investment</a>	✓	x	x	x	Would reduce overall provision of affordable housing, ultra-vires.
Su-Wuen Ong		✓		✓	No comment given
Tawa Community Board				✓	Strongly supports mandatory affordable housing in Tawa.

Tegan van der Peet			✓		Supports variety affordable housing for queer people.
<a href="#">Vic Labour</a>	✓	✓		✓	Option 1 – reduce to 50% threshold. Option 2 complementary, but local backlash. Option 4 most iron-clad. Chose at least two of 1, 2, 4.
VUWSA					Take ambitious, equitable approach. Not specific about options.
WCC Environmental Group	✓	✓	✓	✓	Retain chapter, all multi-units to include AH
<a href="#">Wellington City Youth Council</a>	✓	✓	✓	x	Option 1 – good idea, worry about quality. Options 2 and 3 good exchange
Wellington Community Housing Providers Network	✓	x	✓	✓	Options 3.5 and 4 preferred (mandatory). From 4 CHAs.

For more information, please refer to the [consultation analysis document](#) or the [submissions themselves](#)

