Affordability, Sustainability, Liveability: The Politics of Special Housing Areas

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The politics of land supply and affordable housing: Auckland’s Housing Accord and Special Housing Areas

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Abstract
Increasingly, planning for housing development involves planning practices, based on urban sustainability and environmental concerns, that centre on land supply and housing policies. Auckland is a key historical moment in the politics of housing supply, underpinned by a discourse analysis of a range of housing policy documents. This paper traces the dynamic of local and central government negotiations over the development of Auckland’s spatial plan, the development of the Housing Accord and Special Housing Areas Act 2013 (HASHA), and the manner in which certain political knowledge is prioritised over policy formation. It is argued that this process, which alters central/local government power relations and reprogramming system, is inherently political. It is argued that the politics of housing supply is inherently political. It is argued that the politics of housing supply is inherently political.

Table 1. Formative and final policy texts analysed.

<table>
<thead>
<tr>
<th>Central Government (Cabinet Papers/MIBE reports/Parliamentary Reports and Debates)</th>
<th>Formative policy documents</th>
<th>Final policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various Cabinet Papers and Minutes of Cabinet Meetings (83 pp.)</td>
<td>Housing Accords and Special Housing Areas Act 2013 (HASHA) (71 pp.)</td>
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<tr>
<td>MBIE Regulatory Impact Statement – Creating Special Housing Areas (2013) (25 pp.)</td>
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<td>HASHA Bill &amp; Explanatory Notes (69 pp.)</td>
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<td>Parliamentary Debates- HASHA Bill – Third Reading (5 Sept 2013) (p. 15)</td>
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<td>Select Committee Report on HASHA Bill (2013) (91 pp.)</td>
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<td>The Auckland Plan (2012) (380 pp.)</td>
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<td>The Auckland Plan Addendum (2012) (58 pp.)</td>
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<td>Draft Unitary Plan (2013) (1854 pp.)</td>
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<td>Addendum to the Draft Unitary Plan (2013) (35 pp.)</td>
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<td>Proposed Unitary Plan (2013) (5345 pp., excl. appendices)</td>
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<td>Auckland Council Submission to the Social Services Select Committee HASHA Bill (34 pp.)</td>
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<thead>
<tr>
<th>Auckland Council</th>
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<tr>
<th>Central &amp; Local Government Contextual Texts – Non-policy documents</th>
<th>Auckland Housing Accord 2013</th>
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<tbody>
<tr>
<td>New Zealand Productivity Commission Housing Affordability Inquiry (329 pp.)</td>
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<td>Text of Minister of Finance TV Interview</td>
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</tbody>
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Introduction

Post GFC governments and financial regulators sensitised to the potentially destabilising impacts of house price booms.

Housing Affordability has assumed policy significance at Central and Local Government levels.


My argument

"Increasingly, planning for housing development involves political conflict between local government planning practices, based on urban sustainability and housing intensification, and central government housing policies, centred on land supply and housing affordability.”
Structure

- International Debates on Housing Supply, Planning and Affordable Housing

- ‘Housing Supply’ & the Productivity Commission

- Auckland Plan (Intensification, Inclusionary housing)

- The Housing Accords and Special Housing Areas Act 2013

- Conclusions
1) Local Government & Planning

- Sustainable Development

  Urban Intensification, Compact City, Zero carbon development


Sustainability and Affordable Housing

- generated by mixed product type

- Inclusionary Housing (Zoning)


“... refers to a programme, regulation or law that requires, or provides incentives to, private developers to incorporate affordable or social housing as part of market driven developments, either by including it in the same development, building it elsewhere, or contributing money or land for the production of social or affordable housing in lieu of construction” Calavita and Mallach (2010, p1)
Empirical Evidence

Figure 3. S106 completions as a percentage of all affordable housing completions / acquisitions. Source: CLG HSSA statistics.

S106

Increasing Importance
1999 = 21%
2006 = 60% +

Note: Pre 2000 Affordable housing output produced via grant to Housing Associations

Affordable Housing (S106 England)

S106 Theory

Figure 2.1  Theory of the Section 106 Process

Residual Vs Alternative Use

Inclusionary housing policy based on residential development feasibility analysis

2) **Mainstream Economic analysis** (Gibb, 2013)
- Planning restrictions reduce housing supply and increase housing affordability crisis

Housing Supply

**Short Run**: Housing supply fixed - inelastic, houses take time to build, not responsive to price changes

**Long Run**: Supply of new housing increases (add to existing stock), supply relatively inelastic, responsive to price

Implies planning restrictions reduces supply responsiveness and leads to increased prices
Problems with this dichotomy

1 Elides Complexity

(House Prices driven by complex interaction of changing incomes, demographic processes, mortgage credit regimes, interest rates, price expectations (of HHs and developers) supply dynamics)


Problems with this dichotomy

2- Offers Simple Policy Prescription
(Addressing incomes, demographic trends, financial regime issues is complex. Fast-tracking construction straightforward)

- Politically Powerful Idea - But Potentially Negative Legacy Effects
Does increasing housing supply reduce prices?

Ireland

Production increased from 20K to 89K per annum

But rapid price increase

Building overhang

Figure 1. HCs and average HPs.

*Note:* The figure displays the annual number of private sector completions in the Irish residential sector and the average nominal HP.


Could also consider Spain and the USA.
Things are complex

Adams’ (2011)- reflecting the complexity of issues and interests involved, argues

“... no settled consensus has yet emerged, or indeed is ever likely to emerge, around the crucial choices that have to be made about new housing development” (p951) and “...that the inherent controversy around housing land supply is not essentially a clash of techniques but rather of values and interests” (p953).

He continues

“...although no government may ever be able to solve the problem of planning for housing development, each will be likely to re-frame that problem to serve the particular interests then in the ascendency” (p958).

Case study

Analysis of multiple texts:

Productivity Commission & Auckland Plan → Auckland Housing Accord → Housing Accords & Special Housing Areas Bill & Act

Trace:
Evolving construction of Housing Affordability (its sources & solutions)
Potential for Emerging Central/Local Government Conflict
Politics and Affordability

**National Party** – elected 2008 conservative/neoliberal

In 2010 Repealed *Affordable Housing: Enabling Territorial Authorities Act 2008*

2011 Established the NZ *Productivity Commission* inquiry into Housing Affordability
Productivity Commission

Key Independent Report

Addressed Both Supply & Demand Issues

Identified an Affordability Problem
Summary of Findings

- Urban Planning (Adds costs)
- Infrastructure costs (Development contributions)
- Building consent costs
  - Building costs (productivity issues)
- Taxation (no case for changing the taxation of housing in isolation)
- The Private Rental Market
- Social Housing & Maori Housing

Planning Restrictions = Housing Costs
Urban Planning

“Urban containment policies have an adverse impact on housing affordability. There is an urgent need to increase land availability, to ease supply constraints and price pressure, particularly in Auckland, ... The Commission has found that Auckland’s Metropolitan Urban Limit is a binding constraint on the supply of land for urban growth and has increased section prices within Auckland city”

(Productivity Commission 2012 – Cut to the chase)

Photo: Murphy, L (2016)
Auckland Plan 2012

Sustainability/Liveability

“Liveability makes sustainability and urban competition compatible. ‘Ecological sustainability’ is also linked to innovation-led prosperity in the form of an ‘Ecocity’, a new ‘Brand Auckland’ that mixes prosperity, liveability, competitiveness and ecology.” (Lewis & Murphy 2015, p110).

Housing Action Plan
(address Housing Affordability)

Draft Unitary Plan (Mar 2013)

Moving away from the Metropolitan Urban Limit (MUL) to a Rural Urban Boundary (RUB)

Allows for up to 40% of new development to be greenfield

Discussed Inclusionary Housing
Housing Accord (10 May 2013)

Purpose: increase housing supply and improve housing affordability until the Auckland Unitary Plan becomes operative

Identification of Special Housing Areas

Fast Track Planning

Target: 39,000 consents in 3 years

Required new legislation
Housing Accords & Special Housing Areas Bill (15 May 2013)

i) Government identifies regions where SHAs can be created

ii) Seek accord with local council
    If no accord, then SHA can be created by the Minister of Housing

iii) Consents considered by relevant council or Chief Executive of the Ministry of Business, Innovation and Employment.
Government Perspective on the Bill

“What’s stacked against first home buyers are planning laws that are explicitly designed to drive up housing values... They’re explicitly designed to ensure that house prices go up so that they can afford the intensification and the very high-value, high-cost urban design that goes with that.

... here is legislation that allows us to give the councils the tools that they need and makes it clear that ... if that doesn’t work well, then the government has the ability as a reserve power to issue consents itself. Now, this is the most significant step that a government’s taken around working with councils in a long time.”

(Bill English, Transcript Q&A TV programme 19th May 2013)

Hon. Bill English,
Deputy Prime Minister,
Minister of Finance,
Minister of Infrastructure
Auckland Council Submission to the Social Services Select Committee (4 June 2013)

Variety of problems with the Bill, including:

Bill provides for the government to override local government planning and consenting functions... “these clauses do not respect the principles of local democracy or those that underlie the establishment of accord agreements”
Government Perspective

Minister of Housing, Dr Nick Smith- Third Reading of the Bill stated

“We have got a constipated planning system bogging new residential construction, and this bill is a laxative to get new houses flowing. It will enable plan changes and resource consents to be approved simultaneously. It overrides Auckland’s metropolitan urban limit, freeing up thousands of hectares of land for housing. It fast tracks the consents process... It makes plain that the Government’s strong preference is to get this work done in partnership with councils, through housing accords, but it also provides that the Government can get on with the job if councils stand in the way of delivering an increased supply of affordable housing” (New Zealand Parliament Debates, 2013).
The Act

4 Purpose
The purpose of this Act is to enhance housing affordability by facilitating an increase in land and housing supply in certain regions or districts, listed in Schedule 1, identified as having housing supply and affordability issues.

(3) The Minister, in determining whether a region or district is experiencing significant housing supply and affordability issues,—
(a) must have regard to whether, according to publicly available data, 1 or both of the following apply to the region or district:
(i) the weekly mortgage payment on a median-priced house as a percentage of the median weekly take-home pay for an individual exceeds 50%, based on a 20% deposit:
(ii) the median multiple (that is, the median house price divided by the gross annual median household income) is 5.1 or over; and
(b) must have regard to whether the land available for residential development in the region or district is likely to meet housing demand, based on predicted population growth; and
(c) may have regard to whether any other information indicates that there are significant housing supply and affordability issues in the region or district.
Supply Vs Affordability

Part 1 s15

(3) For the purposes of subsection (2), one of the criteria that may be prescribed is the percentage of dwellings that must be affordable dwellings, according to the affordability criteria specified in the Order in Council for the special housing area or part of the special housing area.

(4) The affordability criteria that may be specified are not limited by section 9(3)(a) but may include, without limitation, criteria defined by reference to median house prices, median household income, individual income, the median multiple (as referred to in section 9(3)(a)(ii)) or any other matter relevant to affordability as it applies to the district in which the special housing area falls, the special housing area, or part of the special housing area.
Reflections

The Act

- Privileges land supply as the key to housing affordability issues

- Excludes any direct requirement/direction for developers to supply affordable housing

- Implicitly relies on ‘filtering’ (trickle down) process

- Challenges local planning by assuming the right to issue housing consents
Affordability Issue
Price Only (What about size?)
75% of median house Price
2012=$386,250
2015=$578,250
Increased by 49.7%

Source: MBIE & Auckland Council (2016)
<table>
<thead>
<tr>
<th>Location</th>
<th>Developer</th>
<th>Output</th>
<th>Types</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>50 Alexander Crescent</td>
<td>Kokiri Trust</td>
<td>144</td>
<td>Papakainga</td>
<td></td>
</tr>
<tr>
<td>Addison (Takanini)</td>
<td>McConnell</td>
<td>500</td>
<td>Price $450-500K</td>
<td></td>
</tr>
<tr>
<td>Anselmi Ridge</td>
<td>McConnell</td>
<td>150</td>
<td>Price$550-750K</td>
<td></td>
</tr>
<tr>
<td>Flat Bush School Road,</td>
<td>ACPL PPP</td>
<td>400</td>
<td>Terraced Housing and Apartments</td>
<td></td>
</tr>
<tr>
<td>Hobsonville</td>
<td>Hobsonville Land Company</td>
<td>700</td>
<td>10% Less than $400K, 10% between $400-$485K (one bedroom to 5 Bedroom)</td>
<td></td>
</tr>
<tr>
<td>Huapai Triangle</td>
<td>Landowners</td>
<td>2000</td>
<td>140 Houses @ less than $422K</td>
<td></td>
</tr>
<tr>
<td>McWhirter Block</td>
<td>Neon Ltd</td>
<td>200-300</td>
<td>Terrace Housing and Apartment Buildings</td>
<td></td>
</tr>
<tr>
<td>Orākei,</td>
<td>Ngāti Whātua Orākei Whai Rawa Limited</td>
<td>75</td>
<td>Terrace Housing and Apartment</td>
<td></td>
</tr>
<tr>
<td>Wesley College</td>
<td>Grafton Downs Limited (Charitable - Methodist Church)</td>
<td>4500</td>
<td>Mixed housing and terrace and apartment living.</td>
<td></td>
</tr>
<tr>
<td>Weymouth, Manukau</td>
<td>Ngā Mana Whenua o Tāmaki Makaurau, Makaurau Community Housing Ltd and HNZ.</td>
<td>280</td>
<td>$325,000 and $475,000 smaller two bedroom units and larger four-and-five bedroom homes</td>
<td></td>
</tr>
</tbody>
</table>
New houses on periphery not necessarily Affordable.
Proposed Unitary Plan & Inclusionary Housing

Move to Retained Affordable Housing

“Where a new development within the RUB contains more than 15 dwellings or involves the creation of more than 15 vacant sites, at least 10 per cent of the total number of dwellings or vacant sites within the development must be retained affordable housing” (Auckland Council, 2013, p H299).

Retained Affordable housing Rejected by Independent Hearings Panel (2016)
May 2016
154 SHAs declared
Potential yield 55,757

Source: MBIE & Auckland Council (2016)
Greenfield Special Housing Area establishment in relation to 2010 MUL and Future Urban Zone – North and West

<table>
<thead>
<tr>
<th>SHA</th>
<th>2010 MUL Status</th>
<th>Estimated SHA yield (dwellings)</th>
<th>Yield FUZ only (dwellings)</th>
<th>Application status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whenuaapai Village</td>
<td>OUT</td>
<td>1000</td>
<td>1000</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Orana Road</td>
<td>OUT</td>
<td>293</td>
<td>293</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Scott Point</td>
<td>OUT</td>
<td>4900</td>
<td>3000</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Huapai Triangle</td>
<td>OUT</td>
<td>1200</td>
<td>1200</td>
<td>Approved - Live zoned</td>
</tr>
<tr>
<td>Crows Road, Swanson</td>
<td>OUT</td>
<td>277</td>
<td>277</td>
<td>Lodged underway</td>
</tr>
<tr>
<td>Redhills (Fred Taylor Drive) - Stage 1</td>
<td>OUT</td>
<td>3735</td>
<td>3735</td>
<td>Lodged underway</td>
</tr>
<tr>
<td>Argent Lane, Wainui</td>
<td>OUT</td>
<td>2400</td>
<td>2400</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td>Ockleston Landing, Hobsonville</td>
<td>OUT</td>
<td>70</td>
<td>70</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td><strong>Total dwelling yield</strong></td>
<td><strong>13875</strong></td>
<td><strong>11975</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

17 Greenfield SHAs (> 33K dwellings) (all in FUZ)

16 SHAs outside MUL (>29K dwellings)

Source: MBIE & Auckland Council (2016)
Greenfield Special Housing Area establishment in relation to 2010 MUL and Future Urban Zone – South

<table>
<thead>
<tr>
<th>SHA</th>
<th>2010 MUL Status</th>
<th>Estimated SHA yield (dwellings)</th>
<th>Yield FUZ only (dwellings)</th>
<th>Application status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wesley College</td>
<td>OUT</td>
<td>4500</td>
<td>4500</td>
<td>Approved – Live zoned</td>
</tr>
<tr>
<td>Hingaia</td>
<td>OUT</td>
<td>6927</td>
<td>6927</td>
<td>Approved – Live zoned</td>
</tr>
<tr>
<td>Flat Bush Strategic</td>
<td>IN</td>
<td>4222</td>
<td>1700</td>
<td>Approved – Live zoned</td>
</tr>
<tr>
<td>Ouarangi Road, Mangere</td>
<td>OUT</td>
<td>630</td>
<td>630</td>
<td>Approved – Live zoned</td>
</tr>
<tr>
<td>McElrvin Road, Glenbrook</td>
<td>OUT</td>
<td>800</td>
<td>800</td>
<td>Lodged underway</td>
</tr>
<tr>
<td>Bethfield Road, Papakura</td>
<td>OUT</td>
<td>200</td>
<td>200</td>
<td>Awaiting lodgement</td>
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<tr>
<td>Clarks Beach Road, Clarks Beach</td>
<td>OUT</td>
<td>110</td>
<td>110</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td>Brenner Road, Drury</td>
<td>OUT</td>
<td>1300</td>
<td>1300</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td>Quarry Road, Drury</td>
<td>OUT</td>
<td>700</td>
<td>700</td>
<td>Awaiting lodgement</td>
</tr>
<tr>
<td><strong>Total dwelling yield</strong></td>
<td></td>
<td><strong>19489</strong></td>
<td><strong>16967</strong></td>
<td></td>
</tr>
</tbody>
</table>

Source: MBIE & Auckland Council (2016)
First half of Accord Year 3 (31 March 2016) methods for calculating dwelling completions were still under development. Work since 31 March 2016 has substantially increased the reliability of data significantly and it is useful to present the most recent results in this Monitoring Report with data up to 30 April 2016.

Source: MBIE & Auckland Council (2016)

Auckland SHA

- Will produce housing output

- Will incorporate affordable housing (at time of first sale)
  (Will this be enough?
  Price per sq.m issue)

- Issues: Will negotiations with developers become more complex as time goes on? Possible delays?

- Delays could trigger Central/Local government conflict
Conclusions

- Housing Affordability Complex (‘Wicked’) Problem

- The political/public consensus around new housing supply as a solution to housing affordability problems is a political construct (cf Adams, 2011)

- The Accords Combine Political Cooperation & Coercion (unclear how this will unfold)

- The ‘new housing supply’ consensus diverts attention from other pressing drivers of housing affordability problems (mortgage market dynamics, wealth inequality, the presumption of capital gain etc.)

- The drive for new housing supply has implications for sustainability and liveability