

# Regulatory Impact Statement

*Adding further districts to Schedule 1 of the Housing Accords and Special Housing Areas Act 2013*

## Agency Disclosure Statement

- 1 This Regulatory Impact Statement has been prepared by the Ministry of Business, Innovation and Employment.
- 2 It provides an analysis of options to increase the supply of land for housing development in the Wellington region, Tauranga area and Christchurch city over the short term (up to 3 years) to reduce pressure on housing supply in these locations and ease housing affordability problems.
- 3 The decision whether or not to include a region or district in Schedule 1 is determined by criteria the Minister of Housing must, or may, have regard to. These criteria provide a good framework to understand the extent of a district or region's affordability issues. Our analysis shows that the five metropolitan territories within the Wellington region, Tauranga City, Western Bay of Plenty district and Christchurch city meet the criteria in the Act.
- 4 Our ability to analyse all of the relevant tiers of local government was limited by data issues. In particular, REINZ report some regional data using different regional boundaries than regional council boundaries. This therefore limited the ability to assess whether the Bay of Plenty region or the Canterbury region could be added to Schedule 1.
- 5 It is worth noting upfront that adding these districts to Schedule 1 would not, in itself, have an impact on housing affordability, but will only be a necessary step towards implementing the powers of the Act. It will serve as a starting point for housing accords to be developed between the Councils and Government, but it is only when special housing areas are declared, and qualifying developments progress, that the impact of regulation will be felt.
- 6 A further Regulatory Impact Statement will be prepared at the time any special housing areas are recommended to Cabinet, and will set out the impact of those decisions.

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## Introduction

- 1 This RIS regards the proposal to add the five metropolitan districts within the Wellington region, Tauranga city, the Western Bay of Plenty district and Christchurch city by Order in Council to Schedule 1 of the *Housing Accords and Special Housing Areas Act* (the Act).

## Background / Status quo

- 2 Housing affordability is a key concern for Government. Home ownership contributes to social and economic outcomes, and provides New Zealanders with a tangible stake in the communities in which they live. Unaffordable homes translate into pressures on families, on the social housing system and on government support. They also result in proportionately more household income savings going into housing, leaving less for investment in other areas of the economy. All of this contributes to New Zealand being less globally competitive than it otherwise would be.

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

- 3 The purpose of the Act is to increase the volume of land released for housing development and redevelopment over the short term so as to reduce pressure on housing supply in parts of New Zealand that face significant affordability issues. If achieved, it is expected this will lessen pressure on land prices, and by doing so will contribute to improvements in housing affordability.
- 4 The Act was introduced into the House in April 2013 (CAB Min (13) 12/14 refers) and came into force on 16 September. The Act provides for regions and districts that have significant housing supply and affordability issues to be added to Schedule 1 of the Act. Once a region or district is identified in Schedule 1, a housing accord may be agreed between the Government and a territorial authority within the region or district.
- 5 Under the Act, special housing areas can be established in scheduled regions or districts and more permissive consenting powers provided by the Act can then apply to qualifying developments in these areas.
- 6 Special housing areas are defined geographic areas within scheduled regions or districts that have the potential to deliver increased land and housing supply. They are established by the Governor-General via Order in Council on the Minister's recommendation.
- 7 A range of issues can be included in a housing accord, provided they are relevant to improving housing supply and affordability in the district of the territorial authority.

### *The Resource Management Act*

- 8 The amendments to the RMA, when they come into force, will provide for useful, but longer term mechanisms, not necessarily directed at housing affordability, including:
  - more direction to councils on matters of national importance (such as the effective functioning of the built environment, including the availability of land

for urban expansion, use and development) that they must consider when creating plans. This will only impact on changes to current plans and the content of new plans over the medium to long term (next ten years);

- an obligation on councils to plan positively for future needs such as land supply. However, this will only impact on the content of new plans over the medium to long term;
- clarifying and extending central government powers to direct plan changes. However, these powers would likely be rarely used and the process proposed for their use would take time. As proposed, it requires the Minister to identify the issue or outcome they want addressed and invite the relevant authority to set out how it has addressed the matter in its planning. The Minister may then either direct a plan change (including the ability to specify the matters the authority must consider when developing the plan change and/or the outcomes to be achieved through the plan change), or may directly amend an existing operative plan (if the Minister considers the local authority has not adequately addressed the issue or outcome); and
- the more timely processing of major consents. A six month time limit is proposed for councils to process medium-sized consents, but this will only benefit developments that are generally consistent with the provision of existing plans.

#### *Plans in the Wellington region*

- 9 Wellington City Council adopted the Urban Development Strategy in 2006. This strategy assumes that the city's population will increase by 50,000 people over the next 40 years and that there will be a need for 15,000 more dwellings over the next 20 years. It also assumes declining household size, an ageing population, and increasing demand for higher density housing. This plan is intended to encourage growth in housing and employment in key centres that are linked by a public transport spine. The plan estimates that 60 per cent of all new housing developments will be directed along a 'growth spine', and aims for 85 per cent of this development to be in the central city area or within walking distance of inner suburban centres. The increasing density required by this plan makes brownfield intensification and infill development critical factors for its success.
- 10 The Upper Hutt City Council's Urban Growth Strategy was adopted in 2008. The Strategy plans for an additional 2,100 new dwellings will be needed through to 2027. The Strategy outlines three further possible areas to consider greenfield developments (above the 2,100) including Maymorn which is considered by the Council to be the "most significant area of land within Upper Hutt for future urban development, possibly for the next 30 or more years."
- 11 The Porirua City Council's Porirua Development Framework 2009 assumes a population growth of 9,600 people by 2031, with at least 5,000 new homes required. The Framework notes that "In theory our undeveloped suburban zoned land (greenfield sites) as of 2008, where development has not yet been taken up, has capacity for approximately 1,700 new allotments under our existing development form". The Framework identifies one area for potential new greenfield development, as well as several areas for intensification.

- 12 The Kapiti Coast District Council's Development Management Strategy 2007 projects that available land will accommodate 7,180 households over the next 20 years, but projects that 7,500 will be needed. The Development Management Strategy only identifies one area of greenfield development, continuing an approach from a 2006 strategy to 'pull back' on the amount of greenfield development opportunities available.
- 13 Hutt City Council does not have any formulated plans, but notes in its latest Long Term Plan that "[w]e have recently begun thinking about our growth strategy for the next twenty years and more, and we've done initial work on how our population might change and some of the possible implications".
- 14 The three Wairarapa councils do not appear to have any publicly-available plans, strategies etc. that deal with planning for future greenfield or other housing developments.

*The "SmartGrowth Strategy" for Tauranga and the Western Bay of Plenty*

- 15 Tauranga City Council, the Western Bay of Plenty District Council and the Bay of Plenty Regional Council have created a joint 'SmartGrowth Strategy' to identify growth opportunities for Tauranga and its surrounding area. This Strategy has identified over 15,000 dwelling sites in greenfield developments to be built out to 2021, and a further 25,000 out to 2051 (although the Strategy noted that some of these have significant barriers and this level is unlikely to be reached). If this potential can be reached, then Tauranga and the Western Bay of Plenty may have sufficient land to meet expected population growth.

*Christchurch City's plans and the Land Use Recovery Plan (LURP)*

- 16 The current Christchurch District Plan was not formulated to address the post-earthquake demands that now exist. Furthermore, the Regional Policy Statement and Christchurch District Plan are relatively prescriptive regarding where development can occur and under what rules.
- 17 Existing Resource Management Act planning processes could take 3-5 years (excluding appeals) to amend current plans to reflect the changed circumstances arising from the earthquakes. Similarly, related land transport planning and local government planning documents are now in serious need of revision.
- 18 The recovery of greater Christchurch means action is needed to increase the supply of land, facilitate building and rebuilding, and provide certainty to owners and developers. Existing planning instruments and processes either do not allow this to occur or cannot do it sufficiently quickly. The Minister of Canterbury Recovery is proposing to use a Recovery Plan to rapidly put in place actions to support the recovery.
- 19 The Land Use Recovery Plan (LURP), currently in draft, will be a statutory instrument that the Canterbury Earthquake Recovery Minister will use to assist with the recovery and rebuild. The LURP will allow the Minister to make changes to Resource Management Act (RMA) plans and policy statements. These changes can come into effect much quicker than if these changes were made through the standard RMA Schedule 1 process.

- 20 The draft LURP also includes an action for Councils to work collaboratively with interested developers and other agencies to undertake exemplar developments demonstrating that good quality medium density housing can be built cost-effectively and that, at the right price, there is a significant demand for it. These exemplar projects aim to show that future housing developments can provide affordable, attractive and energy-efficient medium density housing, suited to the location and community.
- 21 However the LURP will not address the immediate housing pressures on Christchurch City specifically, as the LURP identifies greenfield priority areas for new residential and business development adjacent to existing urban areas, and does not apply to the Central City.

### Problem definition

- 22 Cabinet now has to decide whether or not Wellington, Tauranga and Christchurch are experiencing significant housing supply and affordability issues as set out in the Act, and therefore should be included in Schedule 1.
- 23 In making this decision, Ministers are constrained by the criteria established in the Act. These relate to affordability and are set out in detail in the objective section below.
- 24 Including these districts or regions in Schedule 1 would implement a necessary step to establishing housing accords which could increase the volume of land released for housing development in Wellington, Tauranga and Christchurch over the short term (next three years) so as to reduce pressure on housing supply. If achieved, it is expected this will decrease pressure on land prices, and by doing so contribute to improvements in housing affordability.

### Objective

- 25 The objective is to assess whether or not the regions and/or territories in and around Wellington, Tauranga and Christchurch are experiencing significant housing supply and affordability issues and should therefore be added to Schedule 1 of the Act. If relevant regions or districts fit the criteria, it would indicate that they are in need of the mechanisms provided under the Act.
- 26 The Act sets out three criteria in coming to a view on whether a region or district should be added to Schedule 1. Before making a recommendation to insert the name of a region or district in Schedule 1, the Minister must be satisfied that the region or district is experiencing significant housing supply and affordability issues. The Minister, in determining whether a region or district is experiencing significant housing supply and affordability issues:

**Criterion 1:** must have regard to whether, according to publicly available data, 1 or both of the following apply to the region or district:

- **Criterion 1a:** 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:
- **Criterion 1b:** the median multiple (that is, the median house price divided by the gross annual median household income) is 5.1 or over; and

**Criterion 2:** must also 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

**Criterion 3:** may have regard to whether any other information indicates that there are significant housing supply and affordability issues in the region or district. Note that we have only employed this criterion in our assessment of Wellington and Tauranga in order to make decisions when criteria 1 and 2 do not provide a clear preferred option (along with other information). We have not employed this criterion in Christchurch as it is optional and not deemed necessary for decision-making.

## Options and impact analysis

- 27 As noted above in the *status quo* section, two options were considered to achieve the objective as set out below:
- 28 **Option 1** is to rely on the status quo, being the amendments to the RMA, and the plans for Wellington, Tauranga and Christchurch as described under the *Status quo* section of this Regulatory Impact Statement. This option is predicated on the assumptions that: the proposed Wellington, Tauranga and Christchurch plans will provide a sufficient basis to address the expected land demands and will reduce pressure on land supply and house prices; and that other initiatives to reform the resource management system, to improve operation of the resource consent system, and better plan for and fund infrastructure will result in improvements for the rest of New Zealand over the medium to long term.
- 29 **Option 2** is to add regions or territories to Schedule 1 of the Act. If they were to be added to Schedule 1, and special housing areas were established, councils in which special housing areas have been established would be able to exercise additional powers that will enable them to take more permissive approaches to consenting in favour of residential developments. This would result in more developments being consented than would otherwise be the case under existing plans and consent processes. Within option 2, there are sub-options for each region:

### *Wellington sub-options*

- a. Add only Wellington city;
- b. Add the five metropolitan districts of the Wellington region (Wellington city, Hutt city, Upper Hutt city, Porirua city, Kapiti Coast district); or
- c. Add the Wellington region (which also includes Carterton, Masterton and South Wairarapa districts, as well as part of the Tararua district).

### *Tauranga sub-options*

- a. Add only Tauranga city;
- b. Add Tauranga city and the Western Bay of Plenty district; or
- c. Add the Bay of Plenty region (which also includes Kawerau, Opotiki, Rotorua and Whakatane districts, as well as part of the Taupo district).

*Christchurch sub-options*

- d. Add only Christchurch city; or
  - e. Add the Canterbury region (which also includes Ashburton, Hurunui, Kaikoura, Mackenzie, Selwyn, Timaru, Waimakariri, and Waimate districts as well as part of Waitaki district).
- 30 The criteria under the Act for a district or regions to be added to Schedule 1 of the Act as applied to the districts and regions is described below.

**Wellington**

- 31 Applying these criteria to the Wellington region provides the following results as summarised in table 1.

<b>Table 1 Summary assessment of Wellington against criteria</b>							
<b>Criterion</b>	<b>Wellington region</b>	<b>Wellington city</b>	<b>Hutt city</b>	<b>Upper Hutt city</b>	<b>Porirua city</b>	<b>Kapiti Coast district</b>	<b>Wairarapa districts</b>
<b>1a</b>	a	a	a	a	a	a	r <sup>1</sup>
<b>1b</b>	a	a	r	r	r	a	r
<b>2</b>	a	a	a	a	a	a	r

- 32 **Criterion 1a: Weekly mortgage payment:** MBIE’s calculations show that mortgage payments for Wellington city, Hutt city, Upper Hutt city, Porirua city, the Kapiti Coast district and for the entire Wellington Region exceed this 50% threshold. However, using the Roost Home Loan Affordability Reports, the Hutt and Upper Hutt cities do not exceed this threshold. Roost use a range of assumptions that do not necessarily align with the test as set out in the Act (e.g. only using income data for 29-34 year olds, rather than all individuals). The data are set out in Annex A.
- 33 **Criterion 1b: The median multiple:** For the third quarter of 2012, Demographia records the median multiple for the Wellington region as being 5.4, described as being “severely unaffordable” on the scale used by that publication. For September 2013, interest.co.nz records the median multiple for Wellington city as being over 5.35, and for Kapiti Coast as 5.13. However this number is near or slightly below 5.1 for the Wellington region as a whole and for the other Wellington metropolitan districts. MBIE calculations, as set out in Annex A, assess only Wellington city as meeting this threshold.

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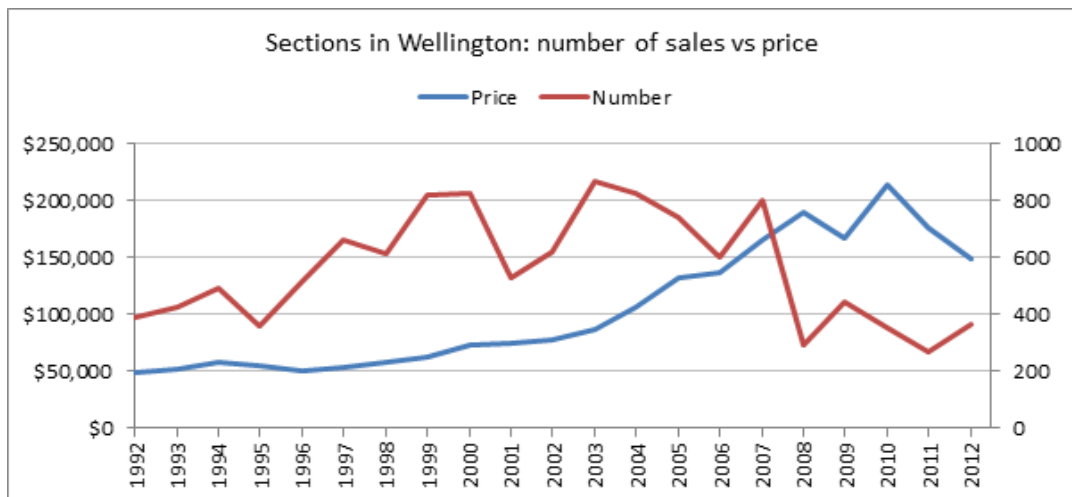
<sup>1</sup> South Wairapapa district meets criteria 1, but the other two Wairarapa districts do not.

34 MBIE considers that all of the sub-options meet the first criteria for inclusion in Schedule 1.

35 **Criterion 2: Land available for residential development:** Statistics NZ projects population growth for the Wellington region over the next 20 years of between 0.5 per cent each year (medium growth scenario) and 1.0 per cent each year (high growth scenario). Over this time, the region's population is therefore projected to grow by between 51,800 people (medium) and 105,400 people (high) depending on which growth scenario is realised in practice. The overwhelming majority of this growth is expected to occur within the five metropolitan districts. Indeed, the Wairarapa districts may actually experience population decreases.

36 Assuming an average household size of 2.5 people in 2031, the population projections above imply the need for 20,000–40,000 new dwellings to be built in the Wellington region over the next two decades, or 1,000–2,000 dwellings per year, depending on which growth scenario is realised in practice.

37 Across the Wellington region as a whole (including the Wairarapa), the current number of section sales is at its lowest point for the last two decades (see below).



38 Over the five years since the onset of the global financial crisis, on average just under 1,200 building consents have been issued for new residential dwellings in the five metropolitan Wellington districts each year. Consequently, the current average rate of supply is already above the rate required to meet the medium population growth projection for the region, even though building consents are at their lowest rate for two decades.

39 However, a different picture emerges when the same data are viewed at a territorial authority level. For instance, assuming an average household size of 2.5, Wellington city needs 15,000–23,000 new dwellings over the next 20 years, at a rate of between 750 and 1,100 per year, depending on growth rates. In practice over the last 5 years, an average of 560 residential dwellings have received a building consent each year, suggesting that supply has fallen about 1,000 dwellings short of projected demand during this time frame. Porirua city and the Kapiti Coast district currently average above the level needed to meet high projections for their districts, while Upper Hutt city and Hutt city average between the medium and high levels.



- 40 As noted in the status quo section, the councils in the Wellington region have varying degrees of planned development opportunities. Based on these plans, there may not be enough land available for residential development in these five territories based on predicted population and household growth.
- 41 The assessment against the criteria set out in the Act indicates that all of the sub-options are viable. Given this, the decision for a preferred sub-option depends on criterion 3 assessment as well as other non-statutory factors.
- 42 **Criterion 3 and non-statutory factor assessment.** As housing affordability is not just a Wellington city issue, and as the housing market does not align itself with the territorial authority boundaries within the Wellington metropolitan area, the Wellington city only sub-option can be discounted.
- 43 The Wellington region is clearly divided into the metropolitan areas and the Wairarapa. The Wairarapa is split off from Wellington via the Rimutaka Ranges. There is some commuting from the Wairarapa to Wellington (in 2008, the peak rail capacity was 850 commuters per day)<sup>2</sup>, but the Wairarapa is generally a separate economic and employment zone. The Wairarapa therefore largely operates as a separate housing market from metropolitan Wellington. There is potentially a housing affordability issue in one of the Wairarapa's districts (South Wairarapa). However, the Wairarapa districts have very low population growth estimates (indeed, the low estimates from Statistics New Zealand are for population decreases in all three districts) and do not require considerable additional housing stock. Therefore, it is highly unlikely that if a housing accord was developed with any of the Wairarapa districts, it would be able to effectively address any housing affordability and/or land supply issues. As such, it is not recommended to include the Wellington region, but instead to include the five metropolitan districts within Schedule 1.<sup>3</sup>
- 44 The preferred option is to add the five metropolitan territories of Wellington (namely, Wellington city, Hutt city, Upper Hutt city, Porirua city and Kapiti Coast district) to Schedule 1.

### **Tauranga and the Western Bay of Plenty**

- 45 Applying these criteria to Tauranga city, Western Bay of Plenty district and the Bay of Plenty region provides the following results as summarised in table 2.

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<sup>2</sup> <http://www.gw.govt.nz/assets/Transport/Public-transport/Docs/RegionalRailPlan.pdf>

<sup>3</sup> Similar arguments could be mounted that the Kapiti Coast district is not part of the Wellington metropolitan zone. However, these are discounted due to the work being undertaken to better integrate the Kapiti Coast into the metropolitan zone. These include the recently completely electrification of the railway line to Waikanae and the declaration of the Wellington Northern Corridor as a Road of National Significance. The Kapiti Coast also has clear housing affordability issues, unlike the Wairarapa districts.

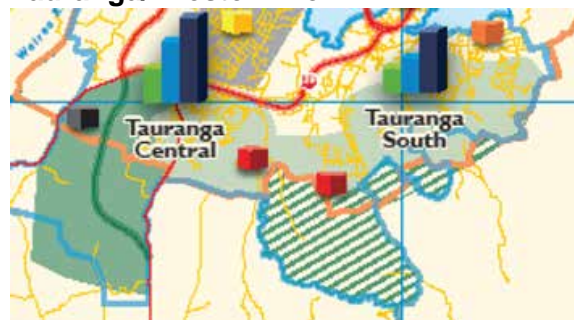
Table 2 Summary of assessment of Tauranga/ Western Bay of Plenty against criteria			
Criterion	Bay of Plenty region	Tauranga city	Western Bay of Plenty district
1a	?	a	a
1b	?	a	r
2	r	a	a

- 46 **Criterion 1a - Weekly mortgage payment.** Overall, data show that mortgage payments in Tauranga city and the Western Bay of Plenty district exceed this 50% threshold (with some variation depending on which data source is used – see Annex A), and therefore meets the first criterion for inclusion in Schedule 1.
- 47 Due to how publicly available data are reported for the Bay of Plenty by REINZ (by being bundled with the Waikato and Gisborne regions), an analysis of whether the region meets this criterion cannot be undertaken.<sup>4</sup> However, it is unlikely that, if data were available, the region would meet this criterion as the Bay of Plenty region includes some districts with very low median house prices (for instance, the median house price in Kawerau district is just \$73,000).
- 48 **Criterion 1b - The median multiple:** For the third quarter of 2012, Demographia records the median multiple for Tauranga-Western Bay of Plenty as being 5.9, described as being “severely unaffordable” on the scale used by that publication. In comparison, the median multiple for Auckland was 6.7. For September 2013, interest.co.nz records the median multiple for Tauranga as being 4.46. While MBIE calculate that the median multiple for Tauranga as 5.57, and for the Western Bay of Plenty as 5.03. Again, due to issues with regional data, a figure for the Bay of Plenty region cannot be generated.
- 49 MBIE consider that Tauranga city and the Western Bay of Plenty district meet criteria 1, but cannot be satisfied that the Bay of Plenty region does.
- 50 **Criterion 2: Land available for residential development:** Statistics NZ projects growth for the Tauranga district over the next 20 years, of between 1.4 per cent each year (medium growth scenario) and 1.8 per cent each year (high growth scenario). Over this time, the region’s population is projected to grow by between 45,000 people (medium) and 61,500 people (high) depending on which growth scenario is realised in practice. The Western Bay of Plenty is expected to grow by between 0.9 per cent (or 10,300 people, medium growth scenario) and 1.3 per cent (or 16,500 people, high growth scenario). This is the vast majority of the Bay of Plenty’s expected growth of between 0.7 per cent (52,000 people, medium growth scenario) and 1.2 per cent (88,500 people, high growth scenario).

<sup>4</sup> MBIE is unable to rely on internally generated or privately purchased data as the Act states that the Minister must make these assessments “according to publicly available data” (s9(3)(a)).

- 51 Assuming an average household size of 2.5, Tauranga city and the Western Bay of Plenty district need 22,000 to 31,000 new dwellings over the next 20 years, at a rate of 1,100 to 1,500 per year depending on growth rates. Over the last five years, an average of 800 residential dwellings have received a building consent each year. Therefore it is likely there will be a shortfall of dwellings during this timeframe, based on the data above.
- 52 Tauranga City Council, the Western Bay of Plenty District Council and the Bay of Plenty Regional Council have created a joint 'SmartGrowth Strategy' to identify growth opportunities for Tauranga and its surrounding area. This Strategy has identified over 15,000 dwelling sites in greenfield developments to be built out to 2021, and a further 25,000 out to 2051 (although the Strategy noted that some of these have significant barriers and this level is unlikely to be reached). If this potential can be reached, then Tauranga and the Western Bay of Plenty will have sufficient land to meet expected population growth.
- 53 The assessment against the criteria indicates that including the Bay of Plenty region is not a viable option due to a lack of robust data to assess the region with. Therefore the two available options are to either list Tauranga city or both Tauranga city and the Western Bay of Plenty district in Schedule 1 of the Act. Again, this assessment relies on criterion 3 as well as non-statutory factors.
- 54 **Criterion 3 and non-statutory factor assessment.** Including both the Tauranga city and Western Bay of Plenty district is preferred because:
- a. The Western Bay of Plenty district is experiencing a housing affordability issue as well as Tauranga city;
  - b. Tauranga City Council and the Western Bay of Plenty District Council are already working closely together, through the SmartGrowth Strategy, to address housing land supply; and
  - c. Due to the constrained boundaries of Tauranga city, many of the identified greenfield opportunities lie on either side of the territorial boundary line (see the map for an example). Accelerating resource consent and planning processes on one side of the boundary line but not the other may lead to perverse outcomes<sup>5</sup> and/or impact the viability of seeking consent for particular developments.

**Example of identified greenfields in Tauranga/ Western BoP**



The orange line represents the boundary between the Tauranga City Council and the Western BoP District Council. The areas in green represent different existing and future generations of greenfield residential development opportunities.  
(From SmartGrowth Strategy 2007 update)

<sup>5</sup> For instance, the boundary could become a cause of house price inflation by limiting land supply, much as Auckland's metropolitan urban limit has. See: Productivity Commission, "[The effects of Auckland's Metropolitan Urban Limit on land prices](#)", research note, March 2013.

55 The preferred option is to add both Tauranga city and the Western Bay of Plenty district to Schedule 1.

### Christchurch City

56 Applying these criteria to the Christchurch city provides the following results as summarised in table 3.

<b>Criterion</b>	<b>Canterbury region</b>	<b>Christchurch city</b>
<b>1a</b>	?	a
<b>1b</b>	?	a
<b>2</b>	r	a

57 **Criterion 1a - Weekly mortgage payment:** Overall, data show that mortgage payments in Christchurch city exceed this 50% threshold (with some variation depending on which data source is used – see Annex A), and therefore meets the first criterion for inclusion in Schedule 1.

58 Due to how publicly available data is reported for the Canterbury region by REINZ (by being bundled with the West Coast), an analysis of whether the region meets this criterion cannot be undertaken. It is possible that, if data were sufficiently robust, that the Canterbury region would meet the criteria, but this cannot be determined to a satisfactory level.

59 **Criterion 1b - The median multiple:** For the third quarter of 2012, Demographia records the median multiple for Christchurch as being 6.6, described as being “severely unaffordable” on the scale used by that publication. In comparison, the median multiple for Auckland was 6.7. For September 2013, interest.co.nz records the median multiple for Christchurch as being over 5.1, while MBIE calculates the median multiple at 5.09. As noted above, figures for Canterbury cannot be reliably generated.

60 MBIE considers that Christchurch city meets criteria 1, but cannot be satisfied that the Canterbury region does.

61 **Criterion 2 - Land available for residential development:** Statistics NZ projects growth for the Christchurch region over the next 20 years, of between 0.5 per cent each year (medium growth scenario) and 1.0 per cent each year (high growth scenario). Over this time, the region’s population is projected to grow by between 51,500 people (medium) and 100,200 people (high) depending on which growth scenario is realised in practice.

62 Assuming an average household size of 2.5, Christchurch city needs 20,000 to 40,000 new dwellings over the next 20 years, at a rate of 1,000 to 2,000 per year depending on growth rates.

- 63 However, in Christchurch, the supply of habitable homes was significantly reduced as a result of the Canterbury earthquakes in 2010/11. Both house prices and rents increased substantially as permanent residents sought to re-establish themselves and accommodation pressures occurred to provide for a large influx of temporary residents to work on the rebuild. Therefore the notable difference in Christchurch is the short to medium term pressure on accommodation as Christchurch seeks to rebuild.
- 64 Over the last three years (since the earthquakes), an average of approximately 1,500 residential dwellings have received a building consent each year. Therefore it is uncertain whether there will be a shortfall of dwellings during this timeframe, based on the data above.
- 65 The assessment of Christchurch city indicates that it meets all of the criteria under the Act. As sufficiently robust data cannot be obtained for the Canterbury region, including the region is not a viable option. No assessment using criterion 3 or non-statutory factors is therefore required.
- 66 The preferred option is to add Christchurch city to Schedule 1.

### **Impact analysis**

- 67 As noted, adding the five Wellington metropolitan districts, Tauranga city, Western Bay of Plenty district and Christchurch city to Schedule 1 would not, in itself, have an impact on housing affordability, short of providing a starting point for Housing Accords to be established. It is only when special housing areas are declared, and qualifying developments progress, that the impact of regulation will be felt. A further Regulatory Impact Statement will be prepared at the time special housing areas are recommended to Cabinet, and will set out the impact of those decisions.

## **Consultation**

- 68 In formulating a housing accord, we expect councils to consult with developers, infrastructure providers, stakeholders and local iwi.

### **Wellington**

- 69 MBIE consulted the Wellington City Council and Wellington Regional Council on the proposal to add the Wellington region to Schedule 1. Both Councils were supportive of enabling housing accords to be negotiated with territorial authorities in the Wellington region.

### **Christchurch**

- 70 Although MBIE has not consulted with the Council, the Minister of Housing met with the Mayor of Christchurch who is supportive of a housing accord. Further consultation will occur with the Christchurch City Council if the city is added to the Schedule.

## **Tauranga and the Western Bay of Plenty**

- 71 No consultation has occurred to date with the relevant Councils. Should the Government agree to include these districts, MBIE will consult with the Councils to inform the development of any housing accords.

## **Conclusions and recommendations**

- 72 The overall conclusion is that Option 2: i.e. adding territories to Schedule 1 of the Act and thereby enabling the subsequent establishment housing accord and providing for the possibility of special housing areas, will most likely increase land supply over the short term. This option is also consistent with a collaborative central / local government approach to addressing land supply and housing affordability issues.
- 73 Option 1 is not considered a sufficient response because current initiatives will not free up sufficient land over the short term (next three years) to counter short term land shortages and upward land and house price pressures. Changes to the Resource Management Act will not have the desired effect of achieving the required immediate increase in land supply to address affordability issues in Christchurch, Tauranga and Wellington.
- 74 Likewise, the Land Use Recovery Plan is likely to address some of Christchurch's affordability problems, but not those specifically pertaining to Christchurch city, and will not allow a housing accord to be established. Relying only on the Land Use Recovery Plan and RMA will not achieve the specificity of a housing accord to address housing issues.
- 75 Within Option 2, the preferred approach is to add the 5 metropolitan districts of Wellington, Tauranga city and Western Bay of Plenty district, and Christchurch city to Schedule 1 of the Act. Adding these territories will enable the development of housing accords where housing affordability and land supply issues exist. These sub-options are also supported by the available evidence.

## **Implementation plan**

- 76 If the five Wellington metropolitan districts, Tauranga city, Western Bay of Plenty district and Christchurch city are added to Schedule 1 the Government and Councils will:
- work towards establishing housing accords; and then
  - consider whether, and if so where, to establish special housing areas in the relevant council's territory.

## **Monitoring, evaluation and review**

- 77 As noted above, adding regions to Schedule 1 is a necessary step towards implementing the powers of the Act. It will serve as a signal and starting point for housing accords to be developed between the Councils and Government, but it is only when special housing areas are declared within these regions, and qualifying developments progressed, that the impact of regulation will be felt.

78 Monitoring the impact of special housing areas on housing affordability will occur under the governance structures of any housing accords that are entered into.

## Annex A: Data for assessment against criterion 1a and 1b

Region/ district	Weekly mortgage payment as percentage of weekly pay		Median multiplier			Data used for MBIE calculations					
	Roost	MBIE calculation	Interest.co.nz	Demographia	MBIE calculation	Median price	house	Median weekly mortgage payment	Median weekly take-home pay	individual	Median household income
Wellington region	52.2	57.9	4.53	5.4	4.77	390,000		443	765	79726.43	
Wellington city	60.4	63.7	5.35		5.79	462,000		539	846.48		
Hutt city		56.8	3.97		4.50	359,000		419	738.19		
Upper Hutt city	44.1	53.7	3.71		4.01	320,000		373	694.46		
Porirua city	55.3	62.0	4.75		4.63	369,000		430	693.93		
Kapiti Coast district	57.9	67.5	5.13		4.09	326,000		380	563.09		
Bay of Plenty region	<i>Figures for house prices for the Bay of Plenty region are reported bundled with the Waikato and Gisborne house prices. Therefore the figures would not be sufficiently robust</i>										
Tauranga city	53.6	62.7	4.46	5.9	5.57	368,000		429	684.46	66012.86	
Western Bay of Plenty district	(not reported)	62.9	(not reported)		5.03	332,000		387	615.56		
Canterbury region	<i>Figures for house prices for the Canterbury region are reported bundled with the West Coast house prices. Therefore the figures would not be sufficiently robust</i>										
Christchurch city	60.3	60.6	5.34	6.6	5.09	374,000		436	719.22	73521.43	
Notes	September 2013		September 2013	Q3, 2012		District level: <a href="#">QV Residential sales price by council</a> , (accessed 23 October 2013) Wellington region: <a href="#">REINZ Regional Analysis September 2013</a> (accessed 30 October 2013)		Based on a 5.8% interest rate, 25 year loan, 20% deposit	Based on LEED data for June 2012 for all ages, adjusted by the Labour Cost Index to June 2013 except Wellington region, which uses New Zealand Income Survey June 2013 data	Regional data from the New Zealand Income Survey, June 2013	