



# WE PRESENT.

**LGNZ's Housing Affordability Remit**

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# LGNZ's Housing Affordability Remit

## Event

Inclusionary Zoning: a planning approach to create a sustainable pipeline of affordable housing

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# 1

# The Remit

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# The Remit

Calls for Local Government New Zealand (LGNZ) to:

- Advocate to the government to introduce legislation that would fully enable councils to address **housing affordability** in their communities through a range of value uplift and capture tools, one such tool being ‘inclusionary zoning’;
- Establish a working group on affordable housing, comprising of relevant/affected councils, central government (MHUD, Kāinga Ora, MSD), iwi, and the community housing sector; and
- Advocate to central government for an **affordable housing** National Policy Statement to be developed.

# Housing Affordability and Affordable Housing

There is no agreed upon understanding of “affordable housing”. A working distinction:

## Housing Affordability – Urban lens

# The overall price levels in the market, canvassing all types of housing consumption in the aggregate. Improved affordability means more housing consumption (i.e., quality and size of housing) for the same price or equal levels of housing consumption for a lower price.

## Affordable Housing – Housing lens

# Individual housing units that are affordable for households with below to median income, and/or individual housing units at below market price (subsidised) made available through some provider, such as central government (Kāinga Ora), local government (councils) or community housing providers (CHPs).

# 2

## Situating the Presenting Problem

# The Presenting Problem in the Remit

## Presenting Problem

“Many towns and cities in New Zealand are grappling with how to provide more affordable housing – dwellings that are affordable to buy or rent for households on low to median incomes with secure tenure.”

## Proposed Response

“Councils need more tools to enable them to respond to housing needs in their communities. One such tool is inclusionary zoning.”

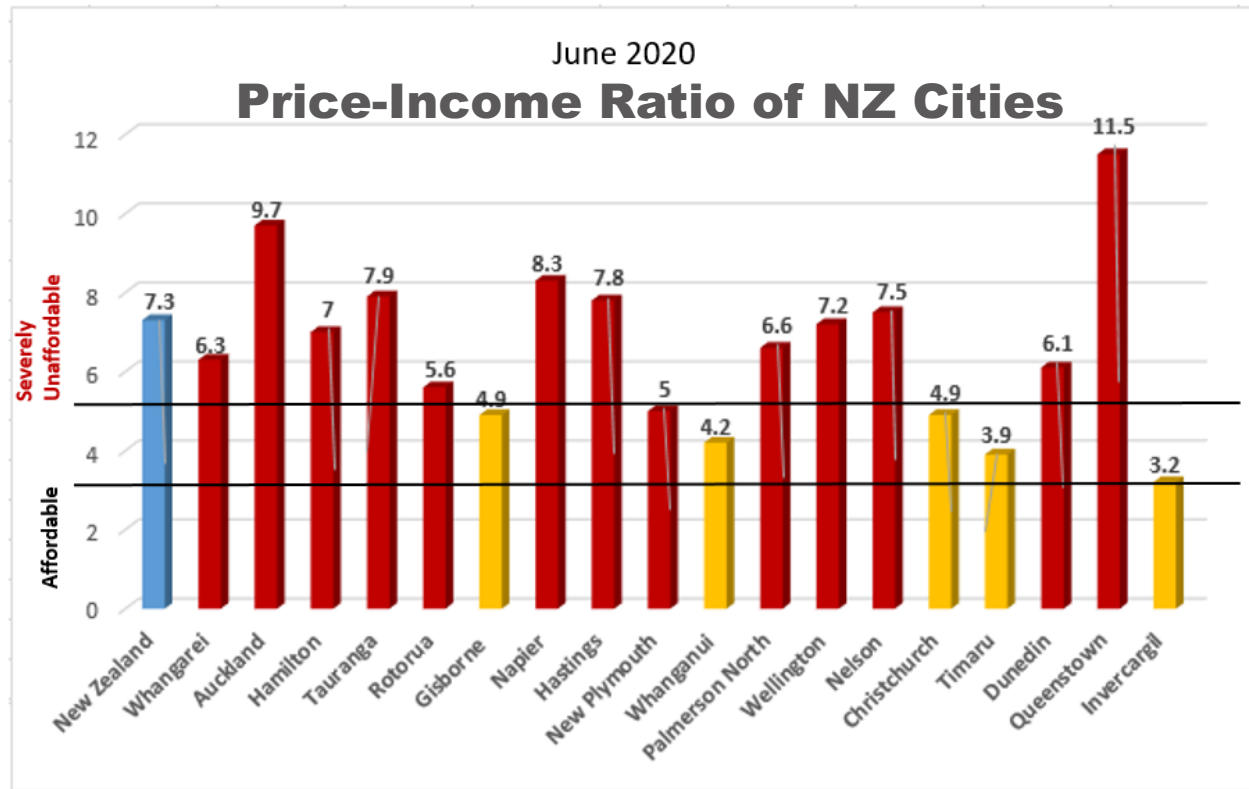
# Situating the Presenting Problem

1. What problem does the remit seek to address?
2. Where does it fit within the overall set of interventions for housing?



# Situating the Presenting Problem

A Snapshot of  
Affordability in  
New Zealand



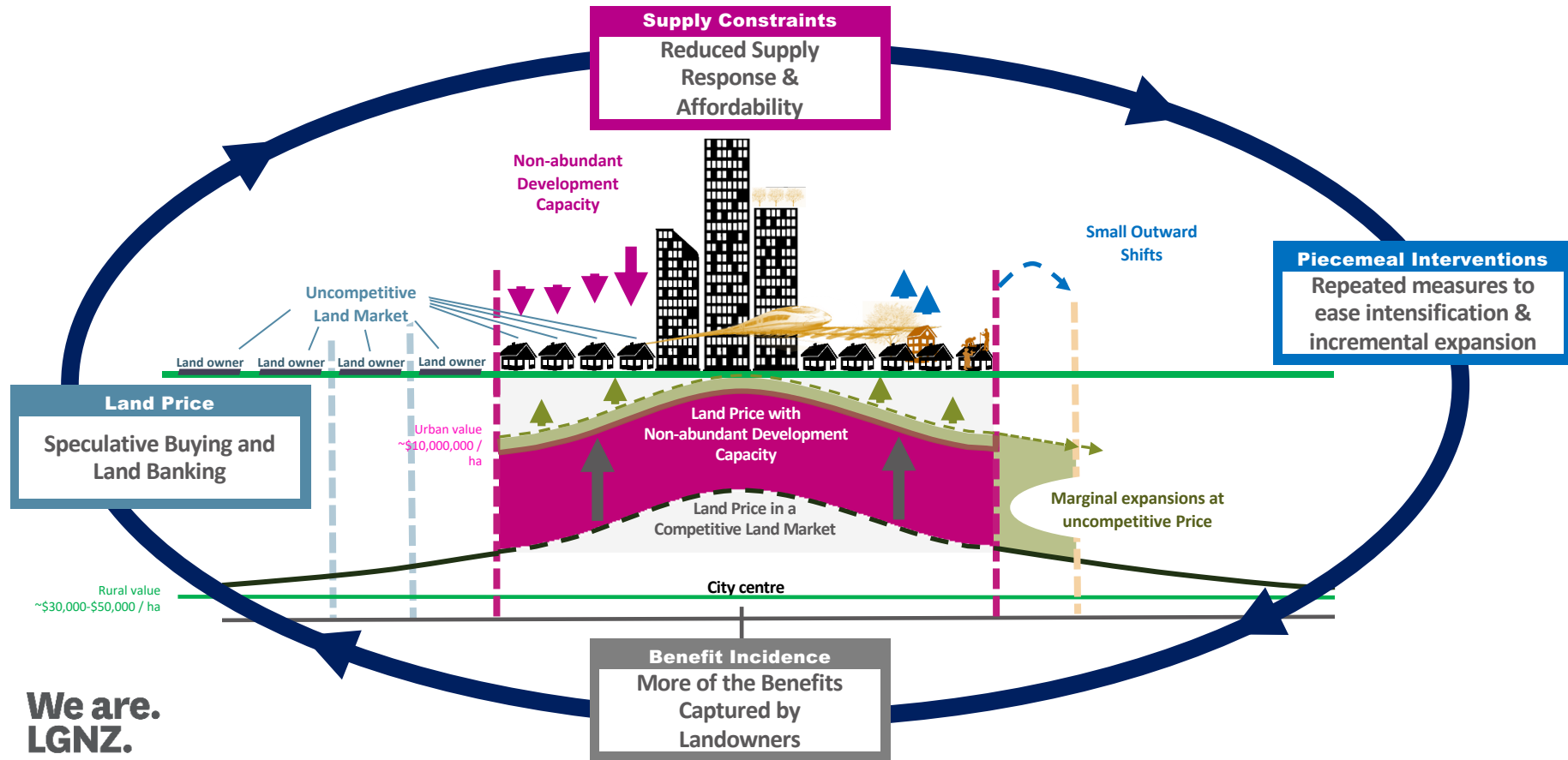
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<https://www.interest.co.nz/property/house-price-income-multiples>

# The Wickedness of the Problem

Vicious Cycle where Landowners Capture Benefits of Piecemeal Interventions

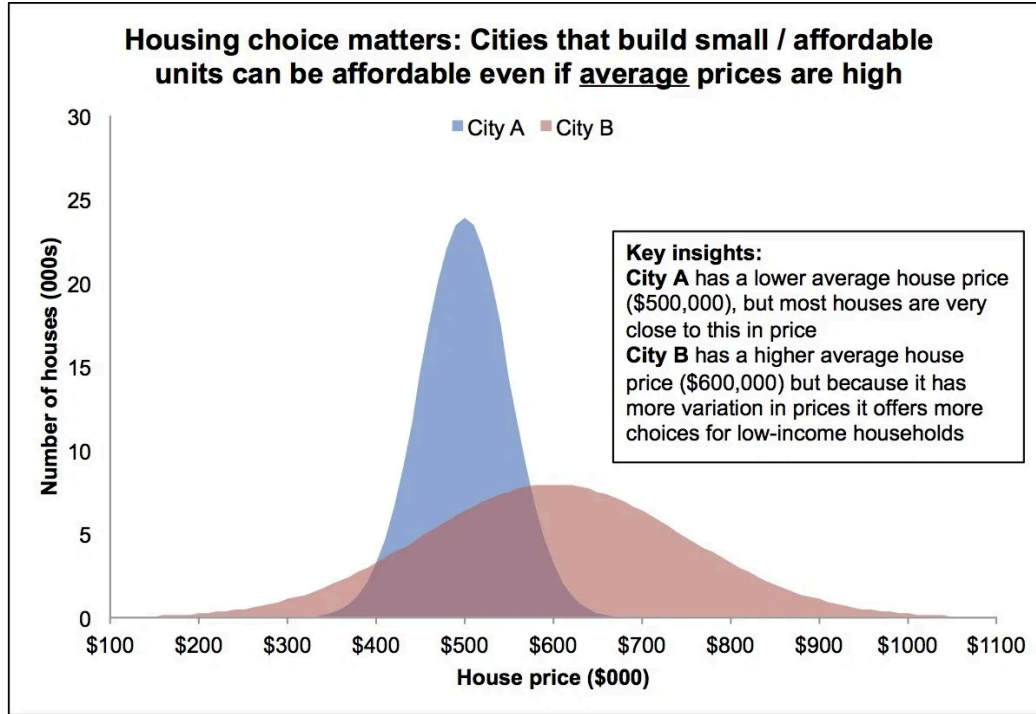


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# Situating the Presenting Problem

## Average house prices versus housing choice



- I agree that slope of the price gradient matters
- But it is also about the level of the price gradient
- The costs imposed by a high level land and house price gradients (independent of slope's shape) is unsustainable and creates a vicious cycle, the negative impacts of which are felt the most at the lower to middle ranges of the housing continuum.

# Situating the Presenting Problem

1. Inclusionary zoning cannot solve the more general affordability problem and nor should it be expected to. CHA's discussion document accordingly frames inclusionary zoning as a complementary or auxiliary measure
2. Inclusionary zoning may help in certain types of situations (housing markets) to increase supply of a wider range of affordable housing options and so contribute marginally to improving the shape of the slope (i.e., smaller and flatter).
3. Note that if we prefer a smaller and flatter land and house price gradient, then this may be at odds with compact city policies that create steeper slopes and in this way make urban areas less accessible to those less privileged.

# Situating the Proposed Response

## Housing and Urban Development

### ULTIMATE OUTCOME

### Four Wellbeings

#### Wider Outcomes

Climate change mitigation (emissions reduction) and adaptation (resilience)

#### Housing Outcomes: Market

Price, Quality and Choice

**Housing Outcomes: Non-market**  
Central & local government provision, support and supply interventions

### KEY OPPORTUNITIES

#### Inclusion of Broader Social Goals

Pursuit of objectives unrelated to housing outcomes through the housing market and urban development system to achieve wider outcomes where this is most efficient to do so rather than through other markets or domains, and considering system wide trade-offs:

1. Establish a system that enables community resilience building
2. Pursue solutions that most efficiently balance emission reduction objectives with sought for housing market outcomes



#### Overcome Key System Challenges *(to Achieve Housing Market Outcomes)*

Pursuit of housing outcomes through the housing market and urban development system requires an institutional lens and solutions to:

1. Shift from containment to responsive urban development up & out
2. Establish a system for planning, governing & financing infrastructure to enable development
3. Making housing consumption indifferent between owning & renting



#### Efficient Government Developer enabled by CG/LG Coordination

Government interventions need to be focused, and coordinated with local government to achieve outcomes that will otherwise not be delivered through the housing market:

1. Deliver large-scale projects
2. Maximise supply of affordable housing
3. Enable provision of public housing at scale to meet demand of diverse groups

# Situating the Presenting Problem

1. If we're in agreement that inclusionary zoning does not address the causes of unaffordable housing, then we may need to ensure that inclusionary zoning is used as a surgical tool that does not detract from or supplant actions that are necessary to improve housing affordability
2. Complementary or auxiliary measure/tool for specific situations that, when applied, maximizes supply of affordable housing.

# 3

# Working Group

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## Working Group

- > The working group is still in its formative stages, but a large number of key members have been confirmed
- > Work projected to kick-start in the new year

## Initial Agreement to Participate

- > Local Government New Zealand (LGNZ)
- > Ministry of Housing and Urban Development (HUD)
- > The Treasury (TSY)
- > Ministry of Social Development (MSD)
- > Ministry for the Environment (MfE)
- > Community Housing Aotearoa (CHA)
- > Hamilton City Council (HCC)
- > Christchurch City Council (CCC)



# 4

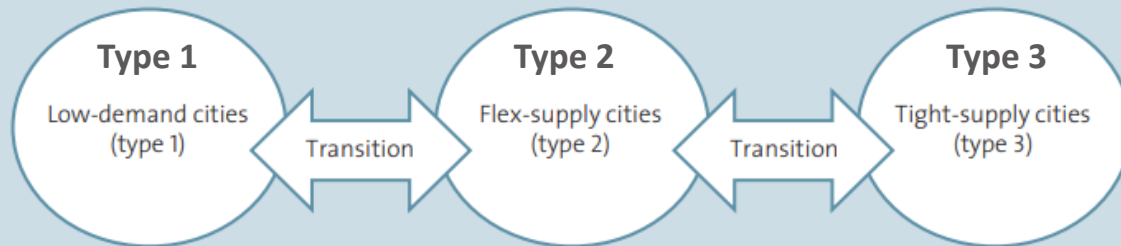
## Foray into a Framework

# The Working Group Needs a Framework

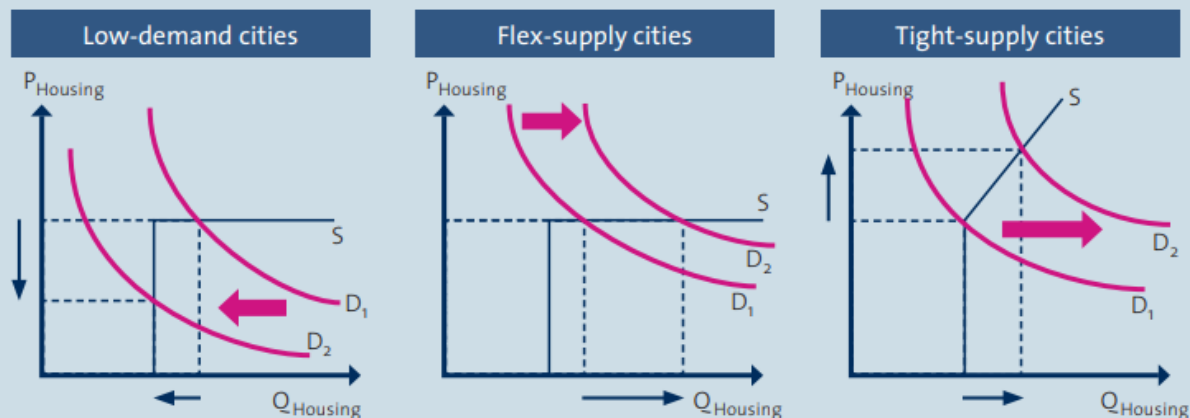
1. There are some fundamental questions that get raised when discussing inclusionary zoning, one of them being whether the planning uplift (increase in price following re-zoning) is a natural phenomenon or not.
2. It is unlikely that a mutually agreed upon answer to this question can be found. At the same time, the stance one takes towards this question may inform how one understands the interaction between this particular tool and other interventions – and whether they work cross purposes or not.
3. It is unlikely beneficial to use inclusionary zoning indiscriminately.
4. The working group may need to go through a process to develop a coherent intervention logic and decision tree for the use of this tool.

# There are Different Types of Cities/Housing Markets

Glaeser and Gyourko typology



Market Structure



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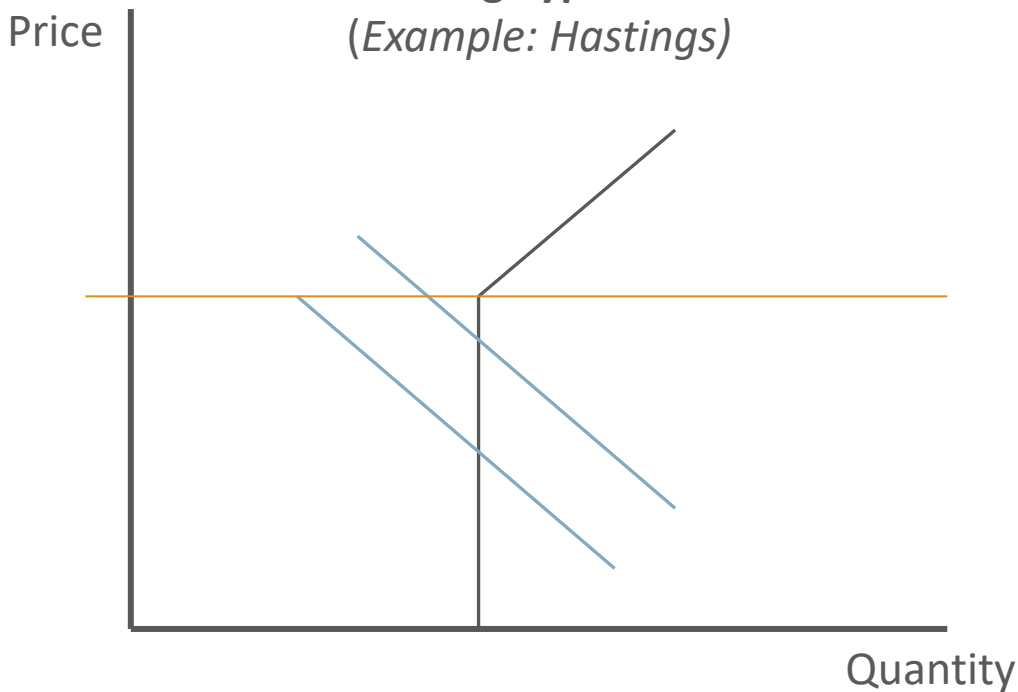
Source: Superu & Sense Partners (2017) [https://thehub.swa.govt.nz/assets/documents/Impact\\_land\\_use-fullreport\\_110717.pdf](https://thehub.swa.govt.nz/assets/documents/Impact_land_use-fullreport_110717.pdf)

# Place-based Analysis is Revealing a New Zealand Phenomenon

Prices in the **market to buy** and the **market to rent** are below price levels required to incentivise a construction response in the **market to build**.

Populations bid up the price of existing homes until unaffordable levels are reached, and only then do the development economics stack up for the market to build.

**Reversing Type 1 Cities**  
(*Example: Hastings*)



# Impact of Inclusionary Zoning in Different Places

## Scenario 1

Where prices/rents are above the cost of new homes, then there is stronger demand for new construction. Cost of new homes may be distorted in those places through various constraints meaning prices are higher than they need to be, and that current level of construction should have been feasible at lower prices.

## Scenario 2

Where prices/rents are below the cost of new homes, then as demand for housing rises, construction does not respond. This means prices rise and a shortage of housing emerges (people end up in motels). Initially these places face a mismatch between incomes and cost of new housing, though as prices rise planning constraints may emerge. This is where land prices start to increase.

# Impact of Inclusionary Zoning in Different Places

The impact of inclusionary zoning will most likely be different in each of these places.

## Interaction with Scenario 1

Where prices are low and the development economics are weak, then inclusionary zoning will likely worsen this. It may create a bigger gap between the price signals in the markets to buy and rent (existing stock), and the market to build (cost of new stock). This could further delay construction response.

## Interaction with Scenario 2

Where land prices are high, then it is a question of whether the tax on development (the additional burden to make the development economics profitable) is distorting or not. It could very well be the case that in Type 3 conditions it is not, because extractive economic rents (i.e., surplus earnings to a factor over and above transfer earnings) act as a buffer (i.e., “value” is captured).

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# Legislation

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## Need for Legislation

1. Given the legal uncertainties territorial authorities face when turning to inclusionary zoning as a tool, it seems plausible that some form of legislative backing is desirable to support this policy → under status quo.
2. It is unclear whether an NPS on Affordable Housing is the right answer – this would need to be explored.
3. Advocating for legislative support for this kind of policy may not align well with current government direction, and it could be perceived as antithetical to the overall housing intervention that has been underway the last three years.
4. However, the future of the Urban Growth Agenda (UGA) is unclear.



## There is a Bigger Situation at Local Government's Doorstep

1. The remit was written and proposed at a time just before a lot of direction from the new government is being provided to central government agencies on how to proceed with the biggest reforms New Zealand will have seen for 30 years → **Three Waters** and **RM Reform**.
2. Both reforms have substantial implications for the future role and function of local government, especially in relation to planning and “place-making”.
3. The RM reform raises doubt whether local authorities will be the decision making body for plan-making in the future. This may be relevant to whether local authorities could use IZ as a tool going forward.

## The Resource Management Reform will Happen Fast

1. The RM reform is taking the Randerson Report (2020) as its blueprint.
2. The Bills for both the new NBEA and Spatial Planning Acts will be introduced in mid to late 2021.
3. The major and key policy decisions on the new NBEA are being finalised by early 2021, and Spatial Planning shortly thereafter.
4. First cab off the rank is integrating National direction. This will happen soon.

### The Implications of the Randerson Report for Local Government

Joint committees (not councils) would have the final mandate to approve both spatial plans and combined plans. Individual councils will have no decision making role, either in the creation of, or final decision on spatial plans or combined plans.

# 6

# Conclusion

Click to add text

## Big Chang is Underway

- > Inclusionary zoning is not about housing affordability in aggregate, but could in specific circumstances enable more supply of affordable homes thereby increasing choice in the market (flatten the slope of the price gradient).
- > We may need to ensure that inclusionary zoning is used as a surgical tool in specific circumstances (housing markets) that does not detract from or supplant actions that are necessary to improve housing affordability.
- > The working group will likely need a framework to work out this tool.
- > Under the status quo legislative support for IZ seems desirable, but the current reforms underway make it unclear how to proceed.
- > The potential impact of the reforms on the overall role of local government is significant, including the role TAs will have in planning more generally.





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**a better place.**

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