

Unpicking the Construction Development Pipeline: A Community Housing Provider Perspective

Jennifer L R Joynt

May 2019

Technical Report 2019/007



RIMU Research and
Evaluation Unit

National
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Jennifer L R Joynt

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Executive summary

The Research and Evaluation Unit (RIMU) at Auckland Council collaborated with the Centre for Research, Evaluation and Social Assessment (CRESA) to investigate the pipeline of decision-making in the construction and development industry and gain a better understanding of the pathways and dependencies influencing the delivery of affordable housing in New Zealand. This project is funded under the Building Better Homes, Towns and Cities National Science Challenge 11 programme; Strategic Research Area 6, Improving the Architecture of Decision-Making.

Community housing providers (CHPs) are the focus of this project. The research aimed to unpick the construction development pipeline from their perspective and gain an understanding of the processes and systems that influence the delivery of affordable housing.

The research emerged from a wider discourse throughout New Zealand on the lack of housing considered 'affordable' to buy and rent. A 'housing crisis' has been declared in New Zealand, and there is a groundswell of political, academic and social commentary on finding a solution. While many strategies and policies have emerged from the crisis, i.e. KiwiBuild, the introduction of loan to value ratio requirements for borrowing and the restrictions on foreign investment, there is little evidence that the policies available to date have the potential to deliver the housing at a scale needed to address the affordability crisis.

Community housing is widely acknowledged in New Zealand as a solution for people caught in the intermediate housing market. Defined as households, with at least one person in paid employment, unable to affordably purchase a house at the lower quartile house sale price for the local authority area at standard bank lending conditions. The intermediate housing market includes the population that do not qualify for social housing support, while simultaneously being locked out of homeownership options.

CHPs buy, manage and develop housing using a range of procurement models, as well as using a range of financial investment sources. CHPs also adopt a range of housing access strategies, including affordable rental, rent to buy, shared equity, Papakāinga, as well as private market rate sales used to fund ongoing investment.

Representatives of CHPs operating at different scales and locations around New Zealand agreed to in-depth interviews. The participants were encouraged to walk the researcher through a range of project examples from conception to delivery, unpicking the different stages and identifying where blockages and passages to delivery of housing occur.

The community housing interviews were supplemented with interviews with two senior planning specialists at Auckland Council. Both planning specialists had experience of the practical application of planning legislation and policies both in New Zealand and internationally and offered their opinions on some of the issues raised by the CHPs.

Current policy settings limit certainty for CHPs, for example the establishment then disestablishment of the special housing areas (SHAs) under the Housing Accords and Special Housing Areas Act 2013 (HASHA) legislation, and the proposal then rejection of inclusionary zoning (IZ) policies (Auckland). In contrast, Queenstown which has had an established policy of IZ for over 10 years, hosts a thriving community housing provider, able to scale up their growth through the re-investment of capital received as a direct result of the IZ policy.

Where IZ and Treaty of Waitangi settlement were not an option to access land, CHPs were limited to market sale or Crown land sale. Conflicting interests in Crown land development and competition for land with established commercial developers diminished further opportunities for CHPs. Furthermore, capital reinvestment opportunities in affordable housing developments are limited by procurement models that require CHPs to buy properties at full market rate before selling or renting below market costs.

Large-scale commercial developers dominate the development market to the point where many CHPs have abandoned development altogether. Buying off plan has the benefit of removing development risk and unpredictable planning costs but has the drawback of limiting the control CHPs' have over design and timeframes.

The research revealed several insights into the CHPs construction development pipeline. The work revealed that CHPs work within extremely challenging financial systems, susceptible to international economic volatility, piecemeal government funding, sporadic philanthropic donations and limited opportunity for profit making from property sales. Drip-fed funding and the lack of financial security limit CHPs opportunity for strategic planning and sector growth.

In Auckland the recent announcement of the Affordable Housing Programme, supported by the Auckland Council Planning Committee will enable the evaluation of a range of options to address the affordable housing shortfall in Auckland. As recognised in the findings of this report, the pipeline of affordable housing is dependent on much more than just local authority action. With that in mind eight recommendations are given, three for local government and five for central government to support CHPs in their work.

Local council recommendations:

1. Investigate assigning CHPs a special status with the local authorities, providing access to a single point of contact for planning assistance and standardisation of fees.
2. Increase specialist capacity in the consent departments.
3. Investigate planning policy changes and alternative land tenure models, for example inclusionary zoning, retained affordable covenants and lease land options.

Central government recommendations:

1. Rebalance the liability risk for local councils and increase accountability for developers. For standard community housing templates, enable the use of new technology and prefabrication systems by rebalancing liability.
2. Ensure reforms in the RMA allow a reduction in bureaucracy and consider a more proportional statutory timeframe to reflect the complexity of large-scale development projects.
3. Support CHPs to meet their own objectives as well as the wider government goals, through the protection of capital grants and a less directive approach to their use.
4. Support assisted homeownership schemes, through incentivising banks or providing financial packages for shared homeownership directly from government.
5. Increase construction capacity and support construction efficiency through rebalancing of building liability risk.

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1 Background and research introduction

1.1 Introduction

The Research and Evaluation Unit (RIMU) at Auckland Council collaborated with the Centre for Research, Evaluation and Social Assessment (CRESA) to investigate the pipeline of decision-making in the construction and development industry to gain a better understanding of the pathways and dependencies influencing the delivery of affordable housing in New Zealand. This project is funded under the Building Better Homes, Towns and Cities National Science Challenge 11 programme; Strategic Research Area 6, Improving the Architecture of Decision-Making.

1.2 Purpose of the research

The aim of Strategic Research Area 6 is to understand how the relative positioning and path dependencies between resource holders, critical actors, and regulating agencies, and the tools and logics they use, inhibit, or promote, desirable outcomes at various scales from homes to neighbourhoods to towns and cities (Saville-Smith, 2017). Community housing providers (CHPs) are the specific focus of this project. The research aims to unpick the construction development pipeline from their perspective and gain an understanding of the processes and systems that influence the delivery of affordable housing.

1.3 Background to the research

It is widely acknowledged that New Zealand, and Auckland, are unaffordable for large sectors of society as demonstrated by a growing homeless population, a growing social housing register and an increasingly expensive and congested private rental market (Johnson, Howden-Chapman, & Eaqub, 2018; Joynt, 2017).

A 'housing crisis' has been declared in New Zealand (Johnson et al., 2018), and there is a groundswell of political, academic and social commentary on finding a solution. While many strategies and policies have emerged from the crisis, i.e. KiwiBuild, the introduction of loan to value ratio requirements for borrowing and the restriction on foreign investment, there is little evidence that the policies available to date have the potential to deliver the housing at a scale needed to address the affordability crisis.

Housing affordability is not uniform across the country and does not affect all sectors of the community equally. Established homeowners and tenants living in the regions with little or no population growth do not face the same housing stress as those in

the main urban centres (Johnson et al., 2018). The Government, local authorities, the public and the media continue to debate New Zealand’s housing crisis as the increasingly unaffordable urban centres pose a considerable risk to the stability of the economy of the whole country. As a result, the International Monetary Fund raised concern about the New Zealand housing sector in 2017 which has further focussed government monitoring of the housing crisis (International Monetary Fund, 2018; Ministry of Business, Innovation and Employment, 2017).

Despite the significant attention the housing crisis has drawn it is still unclear where along the housing development pipeline the system is failing. As Tookey noted sardonically, an array of actors receive blame, including, “builders overcharging, lack of competition in materials, foreign investors, property speculators; everything up to and including “A big boy did it and ran away” (Tookey, 2017).

Community housing is widely acknowledged in New Zealand as a solution for people caught in the intermediate housing market. Mitchell, (2015) defines the intermediate housing market as “private renter households with at least one person in paid employment, unable to affordably purchase a house at the lower quartile house sale price for the local authority area at standard bank lending conditions”.

Figure 1 depicts housing options as a continuum between emergency housing for the homeless, through to private homeownership.

Figure 1: The housing continuum



(Source: communityhousing.org.nz)

In New Zealand, and internationally, community housing is primarily delivered by not for profit community housing providers (CHPs). There are over 100 registered members in Community Housing Aotearoa, the peak body for CHPs. CHPs cover a range of housing needs from emergency housing through to private ownership. CHPs operate for a range of users including very specific groups, i.e. mental health patients and the elderly, where in conjunction with housing, they offer wrap around social and financial support. CHPs also operate more broadly, housing anyone in need in the intermediate housing market. They are present at a range of scales and locations with some in small geographic areas only, limited to single cities or areas within cities, whereas others have national and international range.

Of the 68,025 public rented houses currently available, 6015 are managed by 33 registered Community Housing Providers across New Zealand. This breaks down to 5935 registered CHP income related rent subsidy (IRRS) places and 80 registered CHP market renters (Ministry of Housing and Urban Development, 2018).

CHPs are widely recognised as providing a vital access point for affordable housing. To achieve this CHPs buy, manage and develop housing using a range of procurement models, as well using a range of financial investment sources, (Figure 2: System diagram of CHP pipeline of construction Section 4.6). They also offer a range of housing access strategies, including assisted rental, rent to buy, shared equity, Papakāinga, as well as private market rate sales used to fund ongoing investment, all of which are explored further in this report.

CHPs purchasing or developing new houses are dependent on the housing construction development pipeline. In New Zealand, the housing construction development pipeline has many actors and influencers and is subject to continuous criticism as supply struggles to keep pace with demand (Johnson, Howden-Chapman, & Eaqub, 2018).

The aim of this research is to unpick how these procurement and development models work, uncovering the path dependencies for delivery of affordable housing, highlighting good practise as well as systemic barriers faced by CHPs in their endeavours to meet housing demand.

The paper is set out as follows: Section 2 presents a review of the literature describing the causes and effects of rising housing unaffordability globally, in New Zealand and in Auckland in particular. Included in the literature review is an analysis of the role of different policy and system levers used around the world to deliver affordable housing including various ownership models, planning and legislative tools, innovation in construction and financial systems. The scale of the problem of

unaffordable housing nationally and regionally is discussed, as well as a general overview of the role different actors and influencers have on housing development in New Zealand. The actors identified as integral to the delivery of affordable housing include large and small-scale commercial developers, the construction industry, local and central governments, non-governmental organisations, philanthropists and financial services.

Section 3 includes a description of the research methodology, and then Section 4 develops themes from the data collected from CHPs and from planning specialists from Auckland. These themes aim to address the research aims set out above by enabling a view of common barriers and opportunities faced by community housing providers at both a national and more localised level. Findings from the interviews with the planning specialists are weaved into the analysis to add more detail.

Conclusions and recommendations presented in Section 5 detail the opportunities and constraints community housing providers face in the goal of addressing housing inequality in New Zealand, with some recommendations for possible efficiencies and improvements to both systems and processes, within and outside the scope of Auckland Council.

2 Literature review

2.1 Strategies and instruments affecting housing affordability

Housing affordability has multiple different definitions in the literature, and as articulated by Mitchel and O'Malley (2015), housing is neither inherently unaffordable nor affordable, but is dependent on the relationship of the household to the economic conditions they are in and their perceptions of what is, or is not, an acceptable housing situation/condition. In this view, affordable housing is a relative and not absolute term.

For the purpose of this report, unaffordable housing is defined as households where housing related costs exceed 30 per cent of a household income (Insch, 2018), although for many in New Zealand the proportion of housing cost can be much higher, up to 60 per cent of income (Panuku Development Auckland, 2018). Where a household must spend more than 30 per cent of their household income on accommodation, they are under 'housing stress' or 'rent burden'.

Housing affordability is influenced by a range of strategies and instruments implemented by actors and institutions across the public, private, and not-for-profit sectors (Milligan & Gilmour, 2012). Policy debates on affordable housing usually focus on either the production (supply side) or the consumption (demand side) of housing; further differentiation occurs by tenure type, financial and planning policies and tools and construction and development innovation (Milligan & Gilmour, 2012; Oxley, et al., 2010).

New Zealand's housing affordability has been declining since the 1980s (Reserve Bank of New Zealand, 2016). The number of private rental households under housing stress has remained steady for the past decade at just under 40 per cent, with over 20 per cent of private tenant households paying over 30 per cent of their income on housing costs (Johnson et al., 2018). Since 2008 the cost of house purchases in New Zealand has also risen significantly (Reserve Bank of New Zealand, 2016). In the International Monetary Fund Quarterly Report (2017), New Zealand was ranked the least affordable country of 33 on the IMF 'global housing watch' list (Ahir, Koss, & Li, 2016; International Monetary Fund, 2018).

The Productivity Commission's report, on housing affordability', identified planning, land use regulation and the systems for supply of infrastructure as playing a critical role in managing growth in cities (Productivity Commission, 2015). In 2014 MBIE stated that more needed to be done to address issues of housing affordability, attributing blame for the housing crisis to rising land values, strict planning rules and

developers targeting the top end of the market, meaning not enough lower priced new dwellings were being built (Ministry of Business, Innovation and Employment, 2014).

The remainder of this review presents the literature covering each of the strategies and instruments affecting housing affordability and attempts to identify possible causes of declining affordability in New Zealand, and potential solutions.

2.1.1 Social housing

Social housing in Anglo-American countries, including New Zealand, has long been used as a strategy to provide affordable housing to the most socially disadvantaged (Fergusson, Witten, Kearns, & Kearns, 2016). Since its peak in the mid twentieth century social housing provision has declined steadily (Howden-Chapman, 2015). The decline was partly due to the widespread privatisation of social housing as well as the reduction in government funding for new social housing construction. Both led to a reduction in both housing quality and quantity. In its place a greater focus was placed on income subsidy to be used in the private rental sector (Milligan & Gilmour, 2012; Oxley et al., 2010). Assisted homeownership through the selloff of social housing coincided with a global shift to privatisation of many public services. This change happened in the 1980s in Europe and the 1990s in New Zealand (Howden-Chapman, 2015). Championed as an effective means of reducing poor housing outcomes, the so called 'right to buy' or 'rent-to-buy' schemes, saw many governments privatise significant amounts of their former public housing (Milligan & Gilmour, 2012). Right to buy schemes benefitted a small proportion of social housing occupants in the short term; but where not undertaken in tangent with a social housing building schemes reduced the social housing stock negatively, influencing low-income earners.

In New Zealand, the outlook of a continuing decline in social housing remained until the National-led government introduced a programme of state housing reform under the Social Housing Reform Act 2014. Housing New Zealand is the Crown agent that provides social housing in New Zealand. Despite significant growth in housing delivery (Housing New Zealand, 2018b), the social housing register remains stubbornly long, with 10,712 applications on the Housing Register as at December 2018, an increase of 73 per cent compared to the same time the previous year (i.e. December 2017) (Ministry of Housing and Urban Development, 2018).

2.1.2 Housing and the Urban Development Authority (HUDA)

The announcement in 2017 by the Labour-led government of the establishment of the Housing and Urban Development Authority (HUDA) and KiwiBuild programme further revived potential for growth of the housing sector (Kiernan, 2018). KiwiBuild uses mechanisms including the sale of Crown land and the amalgamation of private land for the development of market sale housing.

To date the focus of KiwiBuild has been on providing home ownership opportunities for middle-income earners through a ballot process. Access to KiwiBuild is open to all with a maximum single income in Auckland of \$120,000/ year and joint income of \$180,000 a year. KiwiBuild does not ring fence allocation of housing to those within the intermediate housing market. KiwiBuild properties are offered for sale with price caps set at \$650,000 for Auckland and Queenstown and \$500,000 for the rest of New Zealand (Ministry of Housing and Urban Development 2019). Although a purchaser must remain in the property for three years, the resale price of properties is not controlled, therefore representing a potential first tier windfall and loss of the affordable controls for future sales.

The KiwiBuild scheme has been widely criticised as ‘welfare for the middle class’, at the expense of the most vulnerable (Perrot, 2018).

In tandem to the KiwiBuild scheme, HUDA is also working with Housing New Zealand (HNZ) to grow the social housing stock in New Zealand by around 6400 places between 2018-2022. HUDA made a commitment that 1000 net new houses per annum for this period would be new build and the remainder would be provided by CHPs or through net buy-ins¹ (Ministry of Housing and Urban Development 2019c).

Net additional buy-ins and associated redirects are described as a process of redirecting funding from councils and charities to government funding, which in many cases result in the tenant remaining in their existing house or unit, with only the source of their subsidy changing. This is beneficial for the tenant as the tenant reportedly gets a more generous subsidy, but redirects do not contribute to an increase in the public housing system capacity. Reportedly, redirects contributed to three quarters of new public housing in 2018 (Davison, for the New Zealand Herald March 12, 2019).

¹ Purchase of an existing or newly developed property by a housing provider, for the purposes of increasing public housing supply (Ministry of Housing and Urban Development 2019c)

2.1.3 Community housing providers

The underinvestment in social housing in the latter part of the 20th century elevated the role of the community-housing sector in meeting housing demand for low-income families. Community housing organisations provide affordable housing through assisted rental, rent to buy or shared equity purchase schemes (discussed later). Governments facilitate these schemes through exemption from paying taxes, or as is done in the United Kingdom, via the provision of public loans at below market rates (Milligan & Gilmour, 2012). In Germany, responsibility for housing supply resides with the local authorities. Local authorities provide social housing or create zoning structures which promote the co-development of housing by public private partnerships (Collins, 2016). Likewise, in Sweden, power for providing housing supply has been largely devolved to the local municipal authority using a ‘robust’ housing strategy and housing associations (Collins, 2016). This transition of low-cost housing provision to the third sector² has resulted in a so called ‘hybrid’ sector, blending market and state characteristics while operating in a community or not-for-profit capacity (Fergusson et al., 2016).

The peak body for community housing in New Zealand is Community Housing Aotearoa (CHA), which has over 100 members building and managing affordable and emergency housing. Community Housing Providers (CHPs), house approximately 25,000 people (Community Housing Aotearoa, 2018), and focus primarily on the intermediate housing sector, but also provide housing for the social sector and some home ownership options. Regulated by the Community Housing Regulatory Authority, CHA operates under the Social Housing Reform Act 2014. The Act bestowed greater powers to CHPs and allowed policy changes for more commercial activity as well as access to the income related rent subsidy (IRRS) (Fergusson et al., 2016).

In New Zealand, CHPs rely primarily on funding from central government grants, but also source income through philanthropy, commercial loans, public/ private partnerships and some commercial activity, such as market-rate property development, to cross-subsidise provision of affordable rental housing (Milligan & Gilmour, 2012).

In New Zealand the only community-housing provider to directly benefit from a local authority inclusionary zoning (IZ) policy is Queenstown Lakes Community Housing Trust (see section 2.1.4.1).

² Third sector, comprising non-profits, charities, social enterprises, social movements, and other community-based organizations

A potential risk for CHPs is the degree of control the government can hold over them, with too much control stifling entrepreneurship and too little government control risking investment security and potential provision of housing, thus a careful balance is required between the two scenarios (Milligan & Gilmour, 2012).

The government has indicated an intention for CHPs to provide a significant proportion of their future social housing stock, moving from 10 to 30 per cent of the total supply (Ministry of Social Development, 2018). This more directive role from government has the potential to undermine some of the autonomy of decision-making within CHPs.

CHPs procure land and housing through a series of routes. For land this includes development of treaty settlement land, gifted land, surplus Crown land, IZ land and market land. Houses are obtained through the transfer of social housing stock, off-plan developments and market housing. Saville-Smith et al. (2016) observe that CHPs have three imperatives:

- 1) They build affordable housing for people on the lowest incomes.
- 2) They deliver housing for people with limited housing choice, who spend more time within their home than on average.
- 3) They have a long-term interest in the stock, so providing dwellings with low maintenance requirements and long-life spans is essential.

CHPs therefore are much more constrained in both the type and scale of the housing they can deliver and the responsibility they take for that housing (Saville-Smith, Saville-Smith, & James, 2016).

In summary, increasingly CHPs are being recognised as fundamental to the housing affordability crises due to their established role as developers and asset managers and their deep understanding of the needs of those caught in the intermediate housing market.

2.1.3.1 Assisted homeownership options in New Zealand

CHPs also offer assisted homeownership schemes. CHPs offer household income-related subsidies which include rent to buy, affordable equity and shared ownership.

Community housing providers define affordability as the ability for a household to meet costs, rather than as a set discount to market value, which in Auckland better reflects the ability of a household to meet costs on a median income.

Rent to buy options allow families to build up a deposit, while paying an affordable rent with the intent to use the deposit to purchase their home or a share of their home over a period.

Shared equity is an alternative method of staircasing into homeownership and internationally shared equity schemes supported through financial institutions are becoming commonplace (AHURI, 2017b). The model sees either the bank or a community-housing provider retains a part share of a home, usually in the region of a 25-30 per cent share. On sale of the property the homeowner is able extract the capital gains on their proportion of the sale price, with the remaining capital gains (if any) returning to the investment partner. In the case of community housing providers this capital gain is often reinvested into the provision of further affordable housing (AHURI, 2017b).

In New Zealand, shared equity schemes with financial institutions are not as common as they are in Australia, however some CHPs do offer shared equity schemes using the preferred option of 'retained affordable', (subsidy retention model). The subsidy retention model utilises covenants which restrict the conditions of a resale to create more sustainable affordable communities through 'recycling' rather than for the first tier of house buyers only (Community Housing Aotearoa, 2017b).

2.1.3.2 International examples of affordable rental and assisted homeownership schemes

Europe and Canada offer equity cooperatives and tenant cooperatives which are innovative models in which the tenants take an active role in the management of their property. The cooperative model empowers tenants and replicates many of the management functions that are "purchased" in private rental housing (Miceli, Sazama, & Sirmans, 1998).

In Australia support by government backed agencies has enabled considerable uptake in shared equity pathways to homeownership (Joynt, 2017; Pinnegar et al., 2010). The Australian examples vary in method, but most enable consumers to achieve to full ownership through partnership with either a financial institution or government backed housing body equity partners. Individual equity models allow reduced mortgage or deposit payments, with the equity partner benefitting from some capital gain at time of sale. Community equity or 'subsidy retention models' limit the resale price to lock in the benefits of discounted sale price beyond the first owner (Pinnegar et al., 2010).

In Britain and the United States, the use of community land trusts has improved access not only to housing but also recreational land for the benefit of communities by focussing on a more holistic view of wellbeing through community growth (Milligan & Gilmour, 2012; thelandtrust.org.uk, 2017). Community land trusts effectively operate as a lease-holder. A land trust offers a range of housing from affordable rental to private house sale. When a property is sold, ownership returns to the trust under a fixed price. The trust can also control who buys in to the development. Community land trusts are often utilised in the UK for the provision of housing for key workers in areas with high cost housing.

2.1.4 Planning policy levers: International examples

Housing affordability is influenced by planning policies, including developer levies for affordable housing or the relaxation of planning rules such as parking provisions (Milligan & Gilmour, 2012). In the UK the National Planning Policy Framework, requires local planning authorities to ensure the supply of a wide choice of housing types and tenure types (Collins, 2016). The policy requires local authorities to undertake a housing needs assessment using a standard method. The method identifies the size, type and tenure of housing needed for different groups in the community, which then must be reflected in planning policies. Planning policies in the Framework reflect the needs of the following groups those who require affordable housing, families with children, older people, students, people with disabilities, service families, travellers, people who rent their homes and people wishing to commission or build their own homes. Where a need for affordable housing is identified, planning policies must state that it must be delivered on site, or when it can be 'robustly justified' off-site, or as an appropriate financial contribution in lieu of housing, so that the policy contributes to the objective of 'creating mixed and balanced' communities (Ministry of Housing Communities & Local Government, 2018). In New Zealand, the National Policy Statement on Urban Development Capacity (NPS-UDC) requires local authorities to identify the need and capacity for growth in the major centres but does not extend this to the type of tenure.

2.1.4.1 Inclusionary zoning

The success of Inclusionary zoning (IZ) policies to promote housing affordability is mixed (AHURI 2017c). Inclusionary zoning schemes are either mandatory or voluntary. Mandatory policies require a percentage of market rate developments to be offered at an affordable price, or rent, for low-income groups as a condition of planning permission.

Voluntary schemes use developer incentives, such as density bonuses or fast-tracked planning, to promote the provision of affordable housing (Calamia & Mallach, 2009). Special Housing Areas in New Zealand are an example of a voluntary IZ scheme, (discussed later).

In the USA, UK and Australia, IZ is used extensively to generate affordable housing through levies which require developers to provide a certain proportion of affordable housing or land donation within each new development (Schuetz, et al., 2011; AHURI 2017c).

Density bonuses are also used and work on the principle that a developer can build more dwellings than an underlying zoning dictates on the proviso that they allow a proportion of their dwellings to be affordable, or that they fund some other public good in the neighbourhood, for example a new park (Ramirez de la Cruz, 2009). Although developers are often reluctant to pay for a public good, they can be receptive to this model, particularly in a voluntary system, as they are able to capitalise on the potential of a site with a degree of certainty that the project will be consented (Ramirez de la Cruz, 2009).

2.1.4.2 Critiques of IZ and developer incentives

Some commentators advocate IZ as the only means by which developers will be forced to provide a proportion of affordable houses (Eaqub, 2017). Whereas the counter argument is that developers distort the costs of the proportion of houses not required to be 'affordable', to cover their costs, causing a minimal effect on the supply of lower-priced housing (Productivity Commission, 2015). This counter argument is dismissed by Calamia and Mallach (2009), who point out that a rational developer will already demand the maximum possible the market can bear, while seeking to buy land at the lowest possible cost. When IZ is used in conjunction with incentives such as fee waivers, density bonuses, reduced parking or open space allowance, the cost of increased traffic congestion or oversubscribed public services are born by society through reduced development output, or through reduction in services, amenity and infrastructure (Calamia & Mallach, 2009).

The benefit of IZ has been related to stages in an economic cycle of boom and bust, Schuetz et al. (2011) demonstrated that in the USA IZ contributed to increased housing prices and lower rates of production during periods of regional house price appreciation and decreased prices during cooler regional markets. As policy changes often lag economic cycles, this can leave IZ open to failure as economic conditions vary.

2.1.5 New Zealand planning policy levers

Queenstown Lakes District Council has implemented an IZ policy and this works quite differently than for most IZs in that there is one specific agency, Queenstown Lakes Community Housing Trust (QLCHT), which is the sole beneficiary of the land or financial levy payments. QLCHT was set up by the local district council in 2007 and is still closely affiliated, however it is not a council-controlled organisation and therefore able to access Government funding (Eaqub, 2017).

The QLCHT builds housing which they provide at an affordable rent or offer shared equity options and rent to buy schemes. Access to the housing is controlled and only available to those below an income cap and who have been resident for a minimum period. As QLCHT can both access land affordably and a community trust funding they are able to have a considerable working capital for reinvestment and scaling up of their developments.

The argument against IZ assumes that houses will not be developed by the community housing providers, but instead by a mainstream developer which then sells off the affordable portion to the community housing provider. The point of difference in Queenstown is that for the most part the single community housing body, which is the sole beneficiary of the policy, is also the developer, and thus does not have the same commercial imperative to maximise profit.

Uptake of IZ has not gained traction in the rest of New Zealand. In Wellington the Mayors Housing Task force recommended that the tool of IZ be evaluated as part of a wider review of potential solutions to the housing crisis in the city (Mayoral Housing Task Force, 2017b). To date neither further evaluation work nor IZ has been enacted in the city, except for the establishment of 25 special housing areas (SHAs) (discussed below).

In Auckland, mandatory IZ was considered as part of the development of the Auckland Unitary Plan (AUP) but not retained in the final plan (Fergusson et al., 2016), due to the reliance on the voluntary IZ model offered under the Special Housing Areas (SHAs) under the Auckland Housing Accord (AHA). Another constraint to efficacy for IZ is that without specific controls, 'affordable' can be a relative term. In Auckland in many instances housing marketed as affordable is in fact 25 per cent of the average market rate which at time of writing is in the region of \$850,000 (REINZ, 2019). A 25 per cent discount would still equate to a house prices of over \$600,000, which is significantly greater than 30 per cent of the median income.

As noted by Schuetz et al. (2011), the idea of IZ needs to be evaluated carefully and in context and should not be dismissed/ or accepted outright based on the experience of a jurisdiction operating under a different context and system.

2.1.5.1 Housing Accords and Special Housing Areas Act 2013 (HASHA)

The Housing Accords and Special Housing Areas Act 2013 (HASHA) was enacted in 2013 to incentivise the development of affordable housing using streamlined planning practises. The HASHA legislation allowed designation of special housing areas (SHAs) under accords between the Government and Auckland Council. SHAs are in effect voluntary inclusionary zones.

Prompted by concern by Government about delays in the consenting process the HASHA legislation enabled fast tracked planning decisions in the Auckland, Wellington, Christchurch, Hamilton, Tauranga, Queenstown and Nelson-Tasman regions. There was some criticism that the HASHA undermined the autonomy of local authorities, particularly in Auckland (Murphy, 2016), both due to changes in consenting timeframes as well as changes to established planning policies.

SHAs above 14 dwellings were required to include an affordable housing element, providing at least 10 per cent of affordable housing set at prices that were affordable to specified income groups³ (Auckland Council., 2013).

The first tranche of 10 SHAs were implemented in Auckland in 2013; by 2018, nearly all SHAs had been disestablished and by September 2019 there will be no new Special Housing Areas (SHAs) established and all existing SHAs will be disestablished (HUD, 2019).

In Auckland, the establishment of the separate consenting department managed in Auckland's Housing Project Office (HPO) essentially created a two-tier consenting process. Consequently, consents granted under the HASHA legislation benefitted from streamlined planning decisions. Under the HASHA decisions on resource consents occurred within 20 working days, removing the scope allowed under the RMA to take up to five months through requests for further information (Ministry for the Environment 2013). Despite efficient consenting the SHAs only delivered 3105 homes⁴; with no conclusive evidence of the proportion of which met the affordability

³ Criteria A where dwellings prices did not exceed 75 per cent of the Auckland region median house price; Criteria B where dwellings were sold or rented to households on up to 120 per cent of the median household income for Auckland and at, or below, a price that the household spends no more than 30 per cent of its gross household income on rent or mortgage repayments (Auckland Council., 2013)

⁴ Completions are defined as dwellings that have received a final building inspection and / or obtained a Code of Compliance Certificate. Completions numbers may understate the number of dwellings inhabited as residents may occupy a dwelling prior to final inspection

criteria (Ministry of Business, Innovation and Employment and Auckland Council, 2017).

As noted by Calamia & Mallach, (2009) streamlining planning also requires additional personnel to be effective otherwise it diverts resources away from other planning routes.

A criticism of the SHAs was that they provided no obligation to develop within a short time frame, encouraging land holders to hold back supply in anticipation of value uplift on the land because of the zone change alone (Tookey, 2017). SHAs have increased the potential capacity but have not influenced actual affordable housing development.

Evaluation of the SHAs has been limited, there have been some pockets of success, such as in the Waimahia Inlet SHA (Fergusson et al., 2016), but also reported impacts of SHAs contributing to inflationary house prices (Fernandez, Sanchez & Bucaram, 2018). A recent report from Community Housing Aotearoa on the disestablishment of the SHAs stated that the SHAs were an imperfect system, but better than the alternative. the decision to axe the SHAs took away one of the few tools which had enabled some councils to speed up housing development. Community Housing Aotearoa's position was that they would have preferred the government fix the weaknesses of the SHAs rather than disestablishing them outright (Community Housing Aotearoa, 2019).

2.1.5.2 Aligning government and local authority planning policy

There has been concern in New Zealand that the strategies for addressing affordable housing differ between government and local authorities. A demonstration of this tension was the approach taken by Auckland Council for urban growth through densification (as outlined in the Auckland Plan and Unitary Plan (Auckland Council, 2016), which conflicted with the Government's belief in the release of more greenfield land (Insch, 2018; Murphy, 2016).

The adoption of the Unitary Plan in Auckland aimed to encourage housing supply by relaxing a variety of land use regulations promoting increased density of development in targeted areas (Greenaway-McGrevy & Sorensen, 2017). This approach has reportedly contributed to increasing potential land value and consequently inflated prices due to land banking (Greenaway-McGrevy & Sorensen, 2017).

To date the Auckland Unitary Plan, although reportedly increasing housing consents (Our Auckland, 2018), has not increased housing affordability, likewise the SHAs

failed to deliver on housing affordability objectives, or number of houses⁵. The findings of Greenaway-McGrevy & Sorensen illustrate the limitations of policy instruments to control what is in practice a complex market.

The National Policy Statement on Urban Development Capacity (NPS-UDC) required New Zealand local authorities to identify their feasible capacity for development for the short, medium and long-term periods. In 2017, Auckland Council reported that feasible supply is expected to be enough to meet forecast demand for the short and medium terms and that for the longer term current feasible supply is less than demand (Auckland Council, 2017). The conclusion from the NPS-UDC analysis about planning, was that the focus should be placed on development input costs over a range of scales and timeframes, and not necessarily on the planning system per se (Auckland Council, 2017).

The Government recently released the Urban Growth Agenda (UGA), to be implemented under the newly established Ministry of Housing and Urban Development which has the following objectives: to improve housing affordability, underpinned by affordable urban land and enabled by the following strategies:

- Improve choices for the location and type of housing.
- Improve access to employment, education and services.
- Assist emission reductions and build climate resilience.
- Enable quality-built environments, while avoiding unnecessary urban sprawl.

(Ministry of Housing and Urban Development, no date)

The first evaluation of these objectives is yet to be released.

As with the SHAs the mandate of the HUDA will remove some of the functions and decision-making autonomy of local authorities, particularly regarding the issuing of consents for housing larger scale projects under the KiwiBuild and HNZ housing delivery frameworks.

2.1.6 The role and process of land use and building consents

New Zealand local government operates under various statutes. The primary statute is the Local Government Act 2002 (LGA). Regulating and managing the pattern of urban development occurs under the Resource Management Act 1991 (RMA) through which district and regional plans are developed. Whilst transport service and

⁵ The targets for the Auckland Special Housing Areas were 9000 consented new dwellings in the first year, 13,000 for the second year, and 17,000 in the third year (Ministry of Business, Innovation and Employment, 2017), with a proportion being at an affordable rate and the remainder market priced, only a fraction of these have been delivered.

infrastructure provision and planning are directed by the Land Transport Management Act 2003 (LTMA). Finally, the Building Act 1984 empowers local authorities to enforce the building regulations within their jurisdiction.

Planning consent application processing is primarily undertaken by a resource consent department and building consents by building consent departments at local government level. The two consenting departments are usually distinct from each other and can in theory process applications for building and resource consents simultaneously. The timeframes for testing applications for compliance is also stipulated under the legislation. The consenting process is often implicated in the delay and sometimes failure of construction projects (Grimes & Mitchell, 2015).

Statutory timeframes are set out in the Building Act 1984 S48 and the Resource Management Act 1991 S115. These statutory timeframes are important for developers as they dictate the length of time before they can commence their development. Any delay at this stage can result in a slip in the construction development pipeline which can be costly.

Under the Building Act, local authorities are required to issue consent within 20 working days following receipt of a compliant application⁶. Under the Resource Management Act 1991 there are three statutory timeframes for notification of a resource consent decision under the RMA. But for a standard notified application not presented at hearing, or non-notified and not heard at a hearing a decision is required within a statutory 20 working days from receipt of a completed application. Finally, a very limited number of applications fitting a specified criterion can be decided upon within 10 working days using a fast-tracked consent.

The New Zealand statutory timeframes laid down in the RMA and the Building Act are considerably shorter than most standards internationally. In the UK the statutory planning period to assess an application is eight weeks. In Australia the decision period varies by State, with for example the City of Hobart restricted to 28 days but for the states of Victoria and South Australia decisions are provided within 60 days.

A potential blockage in the construction development pipeline are delays and requests to planning applicants for further information on their proposal during the consenting process. Under the Resource Management Act, Councils are able request further information (RFIs) to determine actual and potential impacts of the proposed activity on the environment and how any adverse effects may be avoided, remedied or mitigated. RFIs can establish whether a consent should be notified or

⁶ Building Act S48 1Aa 'If the application includes plans and specifications in relation to which a national multiple-use approval has been issued, within 10 working days after receipt by the building consent authority of the application'.

non-notified, as well as to understand the nature of the proposed activity to inform conditions on the consent. RFIs are enabled under various sections of the RMA, and there is no limit to the number of RFIs that can be requested, the ability to ‘stop the clock’ (S88C) for a request is limited to once when the request is made prior to notification. The clock can be stopped unlimited times in relation to S92(2) requests⁷, and the applicant can also request the application be paused under S91A-91C (Qualityplanning.org.nz, 2018). Further discussion about the use of RFIs and its impact on CHPs are discussed further in Section 4.

2.1.7 The role of the construction industry in affordable housing

The construction industry plays a critical role both in the cause and in the solution of the housing affordability crisis. Efficiencies and increased productivity can be expanded either with increasing personnel or through the uptake of new more efficient methods of construction and project management. Auckland dominates the national demand for all building and construction in New Zealand, and has done for many years, including during the post- earthquake Canterbury re-build (Ministry of Business, Innovation and Employment, 2016). Currently the supply of housing being constructed is falling short of demand, even with the introduction of the KiwiBuild project, as despite the redirection of resources into the affordable housing space, the capacity of construction in New Zealand is still limited by its relatively small scale (Tookey, 2017). A document released under the Official Information Act 1982 evaluating the capacity of the construction sector to meet KiwiBuild objectives revealed that the residential construction sector is ‘reaching its capacity limits’ and attributed this to labour costs trending significantly above the all-industries average, rising prices of construction materials, and tightening of finance (Ministry of Business, Innovation and Employment, 2018b).

Value not cost, is the most important factor to the community housing sector. Due to the long-term interest CHPs have in a house they tend to favour established relationships with construction companies, over using open tender for construction projects, as they require a deep level of trust in the value of the housing product that they procure (Saville-Smith et al., 2016). Affordable community housing is expensive to build as it typically has more storeys and units per site. For the housing to be affordable the additional costs cannot be transferred to the final occupant and must be absorbed by either the builder or the intermediary provider, for example a CHP. Adopting efficiencies in the construction process is a means of reducing the cost of

⁷ Section 92 of the Resource Management Act 1991 (RMA) allows councils to request further information from an applicant and/or commission a report, at any reasonable time before the hearing of an application or before the decision to refuse or grant consent if there is no hearing.

building. Efficiency is possible through technical innovation (Malay, et al., 2017) and/or increased capacity and skill of the construction sector (Anderson et al., 2013).

2.1.7.1 Technical innovation

The adoption of new technology in New Zealand could be constrained by the construction industries size. Tookey (2017) described the New Zealand housing construction industry as a ‘cottage industry’ where 98.5 per cent of companies are sole traders, ‘subsisting from invoice to invoice’, with a risk profile that requires them to spread their effort over several projects simultaneously. Growing the industry at scale is compromised by a limited pool of construction workers, with further limitations for migrant workers to fill the gaps unlike in Europe. Financial investment opportunities in New Zealand are also more limited than in Europe where global institutions, such as insurance companies, commonly invest in the housing supply chain (Collins, 2016).

In New Zealand, inefficiencies in the residential construction industry were highlighted using a ‘value stream mapping’⁸ exercise. The research found that poorly informed clients, inappropriate tendering or procurement, and complex consenting processes constrained efficiency in the early stages of project management. While lack of demand from clients for offsite manufacturing (prefabrication) of whole buildings or elements reduced capacity for improved quality, health and safety and lower construction costs (Anderson, et al., 2013).

The use of prefabrication in house building has been done with great effect in Scandinavia, where the climatic conditions prevent onsite construction year-round (Schauerte, No Date). Prefabrication is also gaining momentum in the UK and Germany (Collins, 2016). Scaling up investment in prefabrication plants is required in New Zealand to present a feasible alternative to the existing system. The value stream mapping research recommended that improvements in the planning and implementation phases addressing efficiency issues could reduce new build development times from 49 weeks down to 28 weeks (Anderson et al., 2013).

Technical innovation, for example in the form of 3D printing (Di Justo, 2018), has the potential to drive down construction costs by automating processes, allowing for building compliance test within the factory and reducing the time when land is at its most costly due to low utility (Malay et al., 2017; Taylor, 2014).

The adoption of innovations is very much dependent on the construction industry embracing the new opportunities, as well as building code compliance keeping pace

⁸ Value stream mapping is a lean management tool that helps visualize the steps needed to take from product creation to delivering it to the end-customer (Abdulmalek & Rajgopal, 2007).

with the industry changes. Efficiencies through prefabrication assume that consenting authorities have the willingness to sign off material use and manufacture, which potentially do not conform to local standards. Many of the proposed benefits of prefabrication can only be realised in a context of lower manufacturing costs, for example off shore in China, thus limiting control of building standard compliance (Kohn, 2018). Before prefabrication becomes mainstream financial institutions and public perception of the value and reliability will have to improve (Malay et al., 2017). Di Justo (2018) reported that an industry specialist predicted it could take up to 15 years for the new technology to gain traction.

The use of prefabricated modular buildings is increasingly being promoted as the answer to New Zealand's sluggish construction industry (Stevenson, 2018). Local authorities need to reflect the use of new technologies in the consenting process and include fast tracking for prefabricated houses. There are limits to the scope of prefabrication providing the silver bullet to housing affordability. The first for a market like Auckland is the problem of land value. While construction with prefabrication accelerates, this will have no impact on the underlying land value. Secondly, prefabrication needs to be compliant with local building regulations. Consenting authorities need assurance that any prefabrication components meet New Zealand standards. The easiest way to guarantee this is to locate the prefabrication plant in New Zealand.

Due to the constraints outlined above the construction industry, is slow to adopt new practises. Most dwellings constructed in New Zealand use the same materials and trades that they always have, restricting the value-added potential (Tookey, 2017). Meeting the demand for new dwellings requires increased productivity through either innovation or increased labour force. Business as usual will not allow economies of scale to be realised (Anderson et al., 2013; Tookey, 2017).

2.1.8 Financial systems and policies

Financial systems also have a critical role in the delivery of affordable housing. Interest rates have been falling globally for the past thirty years (Lukasz & Smith, 2017), which has enabled many borrowers to service high value debts and raise the amount of finance available to homebuyers significantly.

In New Zealand in 2013 concern over both rising house prices and increasing household debt resulted in the introduction of the 80 per cent loan to value ratio (LVR). The LVR prevented (most) house buyers with less than 20 per cent deposit from accessing a mortgage (Reserve Bank of New Zealand, 2018). The measure was effective at reducing the risk that an overleveraged population of house buyers

could create. The other impact was to cut large swathes out of the first-time homebuyers' market and increase the opportunity for those with access to capital gains in existing properties and other assets to buy up large quantities of housing as 'buy to rent' projects (Joynt, 2017). An appealing factor of property investment was the favourable tax incentives which allowed negative gearing⁹ (Joynt, 2017).

The accommodation supplement (AS) is another financial tool available at an individual level, which has been attributed to housing affordability issues in the private rental sector. The accommodation supplement is perceived by some tenants as an opportunity for landlords to raise rents beyond the occupants means to maximise profit as the shortfall will be met by the government funded AS (Joynt, 2017). Described as a government subsidy to private landlords (Johnson, 2016). The Housing Quarterly report (December 2018), reported that \$31.3 million is paid in accommodation supplements each week, and this is rising (Ministry of Housing and Urban Development, 2018). As such the accommodation supplement strategy has become less effective at making housing affordable in the private rental sector (Kemp, 2015).

The community-housing providers (CHPs) protect tenants from this type of exploitation by keeping rents affordable relative to income. CHPs however can only assist a small proportion of the population as they have limited capacity to meet the demand.

Financial systems and policies are equally influential at the development side of housing delivery. Community housing providers rely on hybrid approaches to funding including commercial bank lending, government grants, public/ private partnerships and philanthropy, which highlights the 'complexity and dynamic character' of affordable housing funding (Milligan & Gilmour, 2012).

Much of the financial capital accessed by developers in New Zealand derives from sources in Australia due to the reach of the Australian banks in New Zealand. As such when Australian banks reach the lending limits set by the Australian Prudential Regulation Authority (APRA), then resources for the financing of development dry up in New Zealand. Impacts of the APRA limits are reportedly affecting developers in New Zealand by limiting development finance (Auckland Council., 2017).

Patient capital is another investment option that is increasingly growing in the affordable housing space, more commonly seen in innovative university start-up businesses. Patient capital is a very long-term investment without a fixed investment period that spans across development stages and enables reinvestment to scale enterprises up. The use of patient capital in affordable housing taps into a growth in

⁹ Negative gearing, the offset of losses to pay tax on a smaller income, is due to be repealed in 2019

investment in socially conscious and ethical enterprises (Andrews, 2001). Patient capital offers a longer-term investment opportunity for affordable housing provision, which is less susceptible to international financial volatility.

2.1.8.1 Deposit assistance schemes

In response to the limitations caused by the LVR and rising housing costs for first time buyers a selection of government backed financial policies were introduced. The first, Welcome home loans enabled first homebuyer's access to lending with a 10 per cent mortgage deposit. The conditions of the loan were that individual's income is \$80,000 or less, and a joint income is \$130,000 or less, the sale price of the house is also limited to the regional house price cap (Welcome home loan, 2018). Only seven per cent of first home buyers were approved for Welcome Home Loans in 2017 (Johnson, 2018).

The HomeStart grant allows access to a \$10,000 grant to supplement a deposit for a first home provided they have made KiwiSaver¹⁰ contributors for over three years and are below the income cap and regional house price cap (Housing New Zealand, 2018), this scheme supplemented 75 per cent of first home buyers in 2017/2018 (Perrot, 2018).

Finally, for first home buyers that do not qualify due to incomes exceeding the threshold, an application can be made to drawdown part of the financial contribution made to the KiwiSaver, provided they have contributed for three years or more, this scheme does not have a limit for either house price or income (KiwiSaver, 2018).

2.1.9 Influences on housing demand

An increase in demand side factors has also impacted on housing affordability in New Zealand's main centres. Factors affecting demand for housing include the impact of population growth, migration and demographic change, as well as macro-economic influences including the role of taxation and low interest finance (Productivity Commission, 2012).

New Zealand's estimated resident population grew from 4,293,500 in March 2009 to 4,957,400 in March 2019. This population increase has been attributed to both natural increase through births as well as immigration and the return of NZ nationals who had been living overseas (Statistic New Zealand, 2019). As much of the population growth has been concentrated in the main centres, particularly Auckland, supply of housing has been unable to meet demand.

¹⁰ KiwiSaver is the government pension scheme available to all New Zealanders.

Historically low interest rates and the growth of cross border investments have been the main macro-economic factors which have impacted on housing affordability. Globally interest rates in developed countries have fallen to historical lows since the global financial crisis circa 2008. The effect of lower interest rates has been lowered borrowing costs for consumers allowing them to service higher debt levels which in turn has attributed to house price inflation (Productivity Commission, 2012). A further demand influence on housing stock in New Zealand has been the tax system. The tax system has been favourable to owner-occupied households. In addition, the ability to offset losses through negative gearing also encourages investment in the private rental sector at the expense of other investment types (Productivity Commission, 2012).

Foreign investment in housing has also been attributed to increasing demand pressure on the residential housing sector. A recent ban on foreign investment enacted under the Overseas Investment Act (2018) was introduced following a protracted period of capital flow from outside of New Zealand into the residential housing sector.

Finally, unlike many comparable economies, including the UK and Australia, the sale of secondary homes is not subject to a capital gains tax. All these factors have in part contributed to the appeal of housing as an investment option and put further pressure on the constrained supply.

2.2 Summary

The breadth of areas covered in this literature review demonstrate the complexity of the housing system. In summary the drivers and constraints of affordable housing are multi-dimensional. New Zealand and Auckland in particular, is not unique either in its challenges or the cause of those challenges. Community housing providers have the potential to bridge the affordability gap; the following research identifies from the perspective of community housing providers, and planners that work with them, how the different constraints and enablers influence their ability to deliver affordable housing and what the opportunities are for scaling up their capacity and delivery of housing.

3 Method

Between 2017 and 2018, Community Housing Providers (CHPs) operating across New Zealand participated in semi-structured interviews. In total 10 participants, representing seven CHPs took part. The scope of the CHPs included emergency housing, affordable rental and affordable equity housing, Papakāinga, specialist care housing for vulnerable groups and some private market sale housing. The portfolios ranged from small 3-4-unit developments on small combined parcels of land up to greenfield developments of >100 houses in Auckland, Christchurch, Hamilton, Wellington and Queenstown.

The interviews all took approximately one hour and were transcribed verbatim. The transcribed texts were imported and coded in NVIVO 10 software. The participants described the construction development pipeline from conception to delivery on either one or two projects, as well as offering insights on the wider context of planning, financial investment opportunities, government policies and the building and construction sector, planning law, planning systems, land prices, land availability, and government policies (See Appendix for copy of the interview schedule contained within the human participant ethics application).

Most of the participants worked primarily or exclusively in Auckland, with others working on community housing development in other cities exclusively, or in addition to Auckland. These cities included Christchurch, Queenstown, Wellington and Hamilton. The participants' included both project managers and executive leads of CHPs. The purpose of the interviews was not to criticise any particular actor in the construction development process, but instead to try and determine the type of interactions between actors, including the interdependencies which contribute to the construction development sector, be they positive or negative influences. The purpose was to find both commonalities between the groups and outline any regional, geographical or systematic differences and their effects.

Thematic qualitative analysis undertaken on the transcribed interviews using NVIVO 10 software helped evaluate the participants' views. The coding process included an open coding stage where the data was first broken down into concepts assigned under nine umbrella descriptive themes, including: local authority (LA); society; project management; policy; planning; land; government; design and construction.

The second phase of analysis drew the open codes together making connections between the categories with some tentative theories emerging, highlighting common issues and experiences by the main actors. Theoretical causes of the blockages in

the construction development pipeline, as well as enablers, emerged through coding of themes common to all participants.

A secondary round of coding then synthesised the data further into secondary themes. This phase started to address the research questions and unpick the construction development pipeline for CHPs. The themes presented in Section 4 below are used to address the research questions.

Secondary rounds of interviews were undertaken with senior planning specialists from Auckland Council. The initial target was to interview six participants; however, resource and time constraints confined the group to two participants. The planning specialists had experience of the practical application evaluating development proposals under the planning legislation and policies both in New Zealand and overseas. The views expressed were the personal opinions of the participants and not the formal view of Auckland Council. Including opinion contributed to an understanding of whether policies, protocols and legislation were meeting objectives or whether any unintended consequences, or less obvious barriers were affecting the implementation of policies and legislation in practise.

The semi-structure interviews allowed an opportunity to explore the themes generated by the CHPs and identify opportunities and challenges to expediting the resource consent process. The interviews were recorded and coded using the coding framework generated from the CHPs in NVIVO. The findings from the secondary interviews were woven into the analysis of the CHPs interviews.

This research proposal was reviewed and approved by the Auckland Council Human Participants Ethics Committee, Application 2017 – 010.

4 Results

4.1 Unpicking the construction development pipeline

The following analysis develops themes and theories found to be common across the community housing sector in New Zealand, or where only relevant at a regional or city scale comparisons between the contexts are made. The names of specific project developers and locations are removed to protect the confidentiality of the participants, and representative quotes are used to demonstrate themes.

Describing the construction development pathway for the community housing sector is not a linear process. The following sections work through the barriers and opportunities CHPs encounter as demonstrated with representative quotes. In addition, the personal views of two planning specialists with experience of both the Auckland context and international experience are woven through the analysis, adding insight into processes and recommendations for improvements.

The findings indicate that there are both process and system factors influencing the construction development pipeline for CHPs. With process issues being to some extent within the remit of the councils to change and system issues reflecting that local authority activities are largely dictated by a wider legislative framework of which they have limited or no control.

The following themes emerged as critical to community housing development:

- CHPs have limited options and experience challenges to accessing land for development.
- Pathways and mechanisms for investment in community housing are complex.
- The current legislative and policy settings increase bureaucratic processes and risk aversion.
- The construction sector is reaching capacity and is slow to adopt innovation.

4.2 Options and challenges for accessing development land

The supply of land has been central to the discourse on affordable housing supply in New Zealand (Productivity Commission, 2015; Fairgray and Yeoman 2019). In Auckland, the introduction of the Auckland Unitary Plan (AUP) created a more permissive environment for development while opening opportunities through the rezoning of land for development (Productivity Commission, 2015; Murphy, 2015).

Compared internationally New Zealand has, until recently, had a less restrictive taxation, credit and investment system. As a result, property investment has offered better and more reliable returns on investment than other options. Consequently, in New Zealand's major centres, land and house prices have grown exponentially. Community housing providers trying to compete with inflated land and house prices has placed considerable strain on their opportunities for development. The following section describes how CHPs navigate this competitive environment.

4.2.1 Accessing land and housing

Most of the CHPs interviewed had experience of developing land for housing, but there were no consistent models used. Instead strategies for land acquisition were guided by agile responses to opportunities, political and legislative contexts, and on occasion donations.

We do a variety, so we do anything between those [buy off plan and develop bare land]. That is partially, to reduce our costs for development when we do it ourselves, but we also reduce our risk by having a variety of different procurement models. So, we have some where we buy the land and its design built, we have some where we have carried the design throughout until building consent and then had a builder come on, we have had turnkey developments as well (Community Housing Provider).

Access to affordable land is fundamental to the viability of housing provision by CHPs and the location of land is instrumental to the provision of housing that works for lower income families. For example, lack of access to private vehicles for low income groups necessitates the need for proximity to public transport networks. Other location drivers are more community focussed with CHPs seeking opportunities to connect clients with health, cultural and social support networks. Providing options for wrap around social services, as well as offering integrated transport options, are paramount for the location of most CHP developments:

So, that [development opportunity] was bought in that area, because it's a good area. It's close to public transport, community facilities, these are all minimum things that we really look for. That they are easy to get to places; we want to be at least on a bus route, and that it's close to dairies, medical centres, or an easy bus ride to those kinds of areas, to shopping malls and you know other community facilities. (Community Housing Provider)

Increasingly CHPs target population includes key workers essential for the city. Having specific groups in mind can restrict the options for land locations further:

We're trying very hard to find locations where we can build affordable housing, especially for key workers, cleaners, administrators, nurses, teachers, so, we, we've got literally hundreds of stories of people who we serve who are low income

working families who cannot afford to live anywhere near where they work. So, we've got a big systemic issue in Auckland which is where we do 95% of our work, around key worker housing (Community Housing Provider)

Across the country the type of land acquired includes: the use of land already owned by CHPs, treaty land, gifted land, SHA land, IZ land, leased land, privately purchased and Crown land.

In Auckland, the availability of affordable land was viewed differently depending on the CHP involved, with some smaller scale CHPs noting land cost as a continuing barrier to viable development:

The land that we bought for example would have been, you know by the time we were coming to build it, would have been very unaffordable. We cannot find the plots on the land at a cost-effective price to be able to build (Community Housing Provider)

While those accessing and developing on a larger scale indicated that the beneficial impacts of increasing density and land availability under the Auckland (AUP), as well as government policies including the 'bright-line test' and the proposed (at time of interview) restrictions on foreign investors were starting impact on availability of affordable land ¹¹:

There's plenty of land, there was a bit of shortage of land if I went back two years ago, and land was going up quickly, now land is going down quickly, so lots of land will probably come back 20% (Community Housing Provider).

CHPs with an existing land/ asset profile were able to leverage off their existing assets and or develop land they already owned allowing the opportunity for scaling up developments. Although scaling up was a main objective of many CHPs, they also noted that it presented a greater amount of risk to the organisation, a risk that had to be managed with careful and considered procurement strategies:

Look I think when you have got scale you've probably also got risk, you've got to make sure that you're prudent and that good diligence is being undertaken, and you are probably able to leverage because of size and volume (Community Housing Provider).

Many of the CHPs had been established for several decades and consequently had access to long held land or properties that they could develop.

Land was also occasionally donated either through philanthropic donation or collaboration with churches.

¹¹ Interview undertaken Spring 2017

We had another piece of land that we acquired due to the owner not wanting it anymore and they were happy to sell it to us as a way of giving back (Community Housing Provider)

Land donation and re-development removes budgetary strain but is sporadic and unreliable by nature which constrains options for long-term development plans. As noted in the following quote, even where there is an intention to donate land, the bureaucratic nature of land transfer often results in failed delivery:

A large percentage of them [land transfers] never go anywhere ... it's just the nature of churches and where their management and decision-making processes is driven from (Community Housing Provider).

To deal with the lack of consistent sources of land, CHPs demonstrated agile and innovative business models:

We either come up with unique deals to unlock things, so it might be working with churches on a piece of their land, but they are all long-term conversations again to get through to the place where you unlock them (Community Housing Provider).

For a small sector of CHPs Treaty Settlement redress enabled development of land for the benefit of their iwi, although in Auckland this was not enough to meet demand, therefore not all their land assets were acquired this way, where treaty land was available this countered some of the prohibitive land costs that non-iwi CHPs faced:

So predominantly the housing that we are providing for whanau is either on settlement land or land that we've purchased back at fair market value, typically we're buying back either from New Zealand Housing Corporation, who are putting it up for market sale and buying it, but it is at current market value which in that location is really, really expensive or we bought one or two neighbouring sites that have come up for sale and just to get a contiguous block (Community Housing Provider).

Where savings on land costs were made this enabled opportunity for scaling up of developments.

4.2.1.1 Government land

Another route to land access is through the Crown property disposal process, which enables the sale of surplus Crown land, usually under the Public Works Act 1981. There are criteria and protocols for the disposal of land, which include gathering ministerial consent for disposal, advising iwi through preliminary notice under Treaty settlement orders, and offering first right of refusal for land gifted to the Crown. Following adherence to the above protocol surplus land can be sold by public tender, auction or through licensed real estate agencies (Land Information New Zealand, 2018), often to commercial developers. The developers successful in purchasing

Crown land are obliged to sell on a proportion of their parcels, or houses, for less than market rate (20% affordable to registered community housing providers, defined as for 20% less than the prevailing KiwiSaver HomeStart price cap, and 20% of the new dwellings be used for social housing) (Cabinet Office Wellington, 2015). Several of the CHPs noted that Crown land was one of the few ways they were accessing land and housing:

It's with Crown land developments that I guess we were able to enter through the door created because we are a community housing provider, that matches developers and social registered community housing providers together (Community Housing Provider).

Even where developers have an obligation to sell back to CHPs under the Crown surplus agreements, some respondents felt it was perceived as an obligation met under duress by the developers:

Yeah, we deal with them through Crown land opportunities. But you know it's not so much collaborative it's like looking at what's being offered here, how is it going to be funded, and what piece do we have to play, so you know they are going well we have got one arm up our back and we must sell some ... So, if you understand the dynamics in the way it's played you just work out which piece you're playing (Community Housing Provider)

It was noted that as the discount was relative to the prevailing KiwiSaver HomeStart price cap¹², rather than at an income related affordability setting, that the margins for financial feasibility were slight:

The only way that we have got at the moment of being able to do that is through others who might be doing Crown land, where they have to sell it at a certain price point, which is a discount to the market because it is Crown land, and so that allows us in, but even then, it's marginal in Auckland (Community Housing Provider)

A range of strategies were pursued to secure desirable land under intense competition, such as developing land less desirable to commercial developers. This strategy presented a significant risk to the project during the consenting and construction phase:

More often than not, the developments that we are purchasing, or the sites that we are purchasing, tend to be in more constrained areas. So, they might be dependent on covenants. We want to make sure that we comply with what they're asking before we go unconditional on land purchase (Community Housing Provider).

¹² KiwiSaver Homestart Grant criteria for existing properties: maximum house value \$600,000 (Auckland), \$500,000 (Hamilton City, Tauranga City, Western Bay of Plenty District, Kapiti Coast District, Porirua City, Upper Hutt City, Hutt City, Wellington City, Tasman District, Nelson City, Waimakariri District, Christchurch City, Selwyn District, Queenstown Lakes District) and \$400,000 for the rest of New Zealand.

The scale of this type of investment is difficult to measure, as land is not publicly recorded as 'difficult to develop', instead it's reflected in vacant lots, lower purchase prices, covenants and site environmental assessments, as such, the amount of latent land utilised by CHPs is difficult to quantify.

According to the participants, an area where government could make a significant impact is through the backing of alternative land provision models, such as lease land for example:

I think our ability to make things affordable, it's actually not us who make houses affordable, it's actually I guess the metrics around the whole situation, so Government could make it affordable by doing lease land (Community Housing Provider).

Lease land models involve government backed private development on lease land and improve the potential affordability of the development by removing high land costs. The use of this type of lease land is a growing trend in Australia where direct public funding is increasingly replaced by private finance and lease contracts through public private partnerships. This move diverts public expenditure from capital assets to recurrent payments for the cost of private finance and lease contracts (Lawson, et al., 2018).

In New Zealand, public private partnerships and the lease land model are being used to deliver the Government's KiwiBuild programme (Community Housing Aotearoa, 2017a). This type of public, private partnership offers a mechanism to deliver affordable housing, while minimising the risk of development to CHPs:

*The Government will back them to develop it [government land] and guarantee the 25-year lease, so long as they are working with a CHP like ourselves to do the site management. Those sort of deals are definitely an easy way forward, because there is competence inside the areas and there is no risk for us and yet we get social housing, not in terms of ownership of an asset, and that's new so we are just working through the tension points of funding and wrap around support services with the Government I think that is the way the Government is sort of looking to head as well... who owns the land ultimately?
Well that, is often the developer will own that, so or the financial institution who might be behind those sorts of developments as well (Community Housing Provider).*

This lease land mechanism could potentially also be explored further by local authorities, provided the remit of those responsible to manage and dispose of surplus local authority assets be expanded to provide more than economic return, potentially using requirements for a proportion of affordable housing. The use of lease land rather than disposal retains some interest in the land, future proofing the asset should future demands for land change.

CHPs felt a consistent approach to government land disposal and increased partnership would enable them to meet their objectives and strategically plan their developments to meet the needs of their clients:

We need a consistent contracting environment and for Government to be able to facilitate community housing providers to get surplus land, same with Council, ... I don't know how to fix the planning process really, but it does need fixing, yeah. And, there has to be more of a partnership approach to this, there has to be some kind of strategic thinking and planning so we're all working together to reach a shared vision, (Community Housing Provider)

4.2.1.2 Local authority role in land availability.

Local authorities (LAs) consistently receive the blame for the lack of affordable land, however in reality the tools by which local authorities can address land affordability are limited to planning policies. This is demonstrated with a quote from Local Government New Zealand (LGNZ) President Dave Cull who stated, "One of the perverse outcomes of New Zealand's housing crisis is that local councils have footed the blame for what is effectively a regulatory system failure due to the design flaw of our planning system," (Community Housing Aotearoa, 2019).

Local authorities have limited or no control over legislation, taxes, infrastructure costs and disposal of publicly owned land. Furthermore, local authorities do not have the mandate or funding to build houses.

The planning policy most commonly referred to by the participants as having a positive impact on land access and development opportunities was IZ. In Queenstown, where IZ has been used for over a decade, the policy reportedly provides both good development opportunities, as well as a confidence that this is assured into the future.

The IZ policy in Queenstown enabled a range of development options, either through financial contribution through zone uplift windfalls, or through land directly:

So, our council again is quite unique in having this inclusionary zoning requirements and probably to date we have received about \$12,000,000.00 from developers who have gone through plan changes and had to make a contribution to community housing and that comes to us either in the form of land or cash, and if we get cash we will use that to buy land and build on it. So, four of the developments that we've done to date have been through either land acquired or land given to us by developers or land purchased through cash donated to us (Community Housing Provider).

IZ is a significant factor in the ability to scale up the delivery of affordable housing, the scale of development reported in Queenstown Lakes was considerably bigger, and seemingly more guaranteed than for CHPs operating in other areas:

So, initially in 2009 that first piece of land that we built on we bought that with funds that we received through inclusionary zoning process...

When we first started off we were buying existing properties, and then in about 2009 we bought a large track of land and we built our first development of 27 homes and since then we've focused pretty much on building our own developments rather than buying existing (Community Housing Provider).

The following quote describes how they attribute the success of the policy to the LAs strong political leadership, acknowledging that political unpredictability can undermine good outcomes:

Other CHPS are very envious of our decision and how lucky we are, and we totally acknowledge that to council. We're really lucky to have such a strong council with an appetite to keep doing this and enforce it, because you know council's political winds changed as we go through the election cycles and we're often, at the whim of whatever the current mayor or politicians decide whether they like something or not. So, we are fortunate (Community Housing Provider).

The point of difference for Queenstown is the use of the Queenstown Lakes Community Housing Trust, this single point of management for affordable housing appears to set Queenstown apart from the rest of the country, which has a more piecemeal collection of community housing providers working autonomously under the peak body of Community Housing Aotearoa.

The success of the IZ policy in Queenstown is demonstrated by the ability of the CHP operating there to develop a robust future growth strategy:

So, we hadn't got that inclusionary zoning funding we would probably, I can't even think, we'd probably have 20 homes, you know we would be such a small player in the future having helped 160 now you know and having been on this sort of goal to 1,000 homes in the next 10 years. (Community Housing Provider)

The single beneficiary model in Queenstown contributes significantly to the success of the strategy there, as competition and conflicting interests are removed.

In the Proposed Auckland Unitary Plan (PAUP), Auckland Council added a policy for retained affordable housing, but this was revoked by the Independent Hearings Panel and not adopted in the final version of the AUP (Auckland Council 2013b)

The revoking of IZ provisions in the final AUP (Auckland Council, 2016), and the lack of IZ in other jurisdictions in favour of market led affordable housing delivery is a source of great frustration for the CHPs:

So, for example Inclusionary zoning. And it was working really, really well. We were getting really good deal flow from developers who would never have even give us the light of day. Would never normally talk to us. They were coming to us and saying I've got to do some

affordable housing, would you help me, no problem at all, we'd be glad to do that for you (Community Housing Provider).

The rationale for the Independent Hearings Panel (IHP) recommendation was that affordable housing was not considered to be within the jurisdiction of the Auckland Unitary Plan. The IHP argued that it would be unfeasible to distinguish plan effects on price (e.g. density rules) from non-plan effects (e.g. market effects, economy etc). Therefore, price control through land use regulations would not be within the intent of the RMA (Auckland Council, 2013b). The IHP held divergent views from Auckland Council on the means to increase housing supply (Shand 2019). Aligning local and central government aspirations are critical for CHPs to be able to maximise their potential. Working under competing agendas has reportedly resulted in narrowly focussed decisions (Murphy 2016).

Inclusionary zoning has been implemented in Queenstown for the past decade, which illustrates how it can be effectively established under the RMA. In Auckland, the potential for IZ use has once more arisen with the decision of the Auckland Council Planning Committee through the Affordable Housing programme to investigate whether IZ can in fact be used (Auckland Council, 2019). If IZ is reintroduced in Auckland this will likely require significant changes to the current planning framework.

The Government's blanket decision to not renew the HASHA legislation that allows for special housing areas (SHA) means that outside Queenstown there is no provision for CHPs to access affordable land through local government planning policies (Community Housing Aotearoa, 2019).

CHPs felt SHAs in Auckland had failed in their objective to increase affordable housing, noting project completion under SHAs was the exception rather than the rule, and the effectiveness of the affordability component had been lost through windfall capital gains:

It is I think the only one [SHA] that is still 100% owned, so the houses haven't in turn been flicked off to somebody else, so they're still owned by family members. It can only be sold to existing whanau and so they're all priced I think under \$650 off the top of my head, and three to four-bedroom homes, given the land value that they sit underneath they're worth about \$1.4 - \$1.6 (Community Housing Provider).

Because of the lack of IZ policies and the abandonment of the HASHA legislation there is increasingly limited scope for community housing providers to acquire affordable land and develop it independently.

The increasing barriers to affordable land acquisition for CHPs have resulted in many moving out of the development space altogether. Instead CHPs operating in

both Auckland and Wellington indicated a reliance upon off plan purchase, or market sale homes:

We are pretty much at the point where we have given up on doing it ourselves, it is just too hard too difficult too expensive (Community Housing Provider, based in Auckland)

You know for us once land has hit the market, we're really out of the running, especially desirable developer land, because you've got developers that will have the money to actually invest and pay more probably than market to actually access the land. So, we just don't have the resources to be competing in that market (Community Housing Provider, based in Wellington).

A benefit of purchasing subdivided land, or land and house packages, was risk minimisation for the CHPs. The downside for some was the increased cost implications and loss of control over delivery periods and the types of properties being built:

On the Crown land ones we have very little influence, because Fletchers design build them, there might have been minor tweaks inside of that, but it was very little. (Community Housing Provider, based in Auckland)

Consequently, it was reported that despite being the least cost-efficient method to acquire houses and subdivided land, direct purchase from developers is one of the most common means for CHPs to acquire assets.

4.2.1.3 Summary

In summary, CHPs have a competitive disadvantage when land is sold on the open market. The use of IZ, surplus Crown land disposal, philanthropic donations all help to support CHPs. Currently IZ only benefits development for a single community-housing provider through the Community Housing Trust in Queenstown lakes.

Iwi CHPs obtain land through treaty settlement, but due to its limited nature this only accounts for part of the land they acquire.

Surplus Crown land is largely sold to intermediary developers that offer only a marginal discount to CHPs. CHPs then must further discount the properties rent/ or sale price, to meet the affordability requirements of their clients.

Although SHAs have not delivered the scale of affordable housing anticipated when they were established (Fernandez, Sánchez. & Bucaram, 2019). The disestablishment of the HASHA legislation completely from September 2019 leaves even fewer alternatives for community housing providers to access affordable land.

Under the Queenstown Lakes District Council policy of mandatory IZ the outcome has been stability for CHPs and the generation of significant amounts of affordable housing. IZ is not however a silver bullet, and its success in Queenstown, is in no small part due to the single beneficiary through the Community Housing Trust, which streamlines the process.

The announcement that KiwiBuild will be partly implemented by CHPs indicates a move to a more aggregate housing development model. It is unclear how this macro scale approach will allow for the more nuanced needs of CHPs providing for a range of different community needs.

In short affordable land acquisition options for CHPs in New Zealand are limited. Direct purchasing from commercial developers offer an opportunity for CHPs to reduce their risks but at a significant cost to the viability of providing affordable housing at scale. Simultaneously the opportunities for CHPs to provide bespoke housing that meets their community's needs are also reduced. While philanthropic donations offer little certainty to strategically plan for development at scale.

4.3 Pathways and mechanisms for community housing investment

Critical to the development of affordable community housing is a consistent and adequate funding stream. Funding for community housing projects, as with land, comes from a multitude of sources. It was universally expressed by the CHPs that due to a withdrawal of funding from Government and retraction of available bank credit that financing community housing projects had become increasingly difficult over the past decade:

Much harder, primarily because central Government completely withdrew its support from the sector six years ago. Capital grants off the table and they've never been re-introduced, so we are in a no capital grants, no Council support, no inclusionary zoning environment. Then at the same time because of various banking and property issues in Melbourne and Sydney all of the banks which are Australian owned and therefore lead what the New Zealand banks' do like Kiwibank and TSB have significantly tightened their lending restrictions and then of course we had the LVR intervention by the Reserve Bank, so the financial environment has become significantly more complex and difficult for us (Community Housing Provider).

To describe the challenges of sourcing financial backing the following section describes the various methods and means CHPs utilised to finance their investments.

4.3.1 Government funding role

CHPs described how the government has funded community housing programmes through a range of avenues over the years, including Ministry of Social Development (MSD) capital grants, the social housing unit (SHU) within the Ministry of Business, Innovation and Employment (MBIE), IRRS payments, and partnership under the KiwiBuild banner. Government allocation of funding to CHPs was described by one participant as a 'lolly scramble':

it was very pleasing recently to see the new minister of housing Phil Twyford to say that his approach to housing, community housing providers will be to sit down and work out a negotiated funding arrangement, on a multiyear horizon. As opposed to throwing an opportunity out and watching us all do a lolly scramble (Community Housing Provider).

CHPs felt frustration when faced with a lack of consistent support. Although widely acknowledged as the main answer to the intermediate housing need, CHPs reported not always receiving the same government support to meet their objectives. CHPs felt that government had a significant influence on the type of housing they could generate, removing some of their autonomy:

We started off with 20 houses down there and now we have got some emergency contracts and other bits and pieces that come with it, and the only reason we went there is because the church requested our support to help them to get started. We talked to Government, Government said yes so we went down there to help them to put in a tender for four houses, the Government turned us down on behalf of the Church, we said why was that? They said oh we don't want lots of little providers. So, it's kind of weird Government going oh big is better (Community Housing Provider)

A stable and reliable funding mechanism for CHPs would prevent the knee jerk reactions, or 'lolly scrambles', allowing CHPs to strategically plan for future development, and develop their designs in a more considered way, which actually meet the needs of their clients.

Since interviewing the participants, the Housing Impact Fund (New Ground Capital, 2018), has been established, which intends to align socially responsible private capital to work alongside government capital and conventional debt (Community Housing Aotearoa, 2017), Continuing and growing these partnerships is critical to enabling CHPs. Revealed throughout this report the changeable nature of policies, influenced by political whim and economic volatility, can remove momentum and prevent the long-term strategic growth of the affordable housing sector. Most CHPs in operation today, have been through numerous political cycles and work on much longer timeframes than government terms, acknowledgment of CHPs desire to be

trusted for their knowledge and permanence in this space is captured in the following quote:

I think there needs to be a bit of a culture shift around what people's perception of community housing providers are now. I mean there's you know organisations that have had a long track record there is some professionalism and maturity there, you know what I mean, I'm just so tired of public servants that have been in the job a few months coming along and telling me how to do my job (Community Housing Provider).

The limited timeframes in which to apply for funding from government grants also limits the opportunity for CHPs to scope out the maximum potential of a site and design more bespoke community led options:

Yeah, the contract was very closely based on what we proposed. I mean we proposed building 50 homes, they gave us funding for 21 homes, and they were looking for results as quickly as possible, going back to them and saying "oh you know we were going to build all these three and four bedroom homes on some sections, we'd now like to build terrace housing or units", that would just be a complete renegotiation and you'd risk losing the contract (Community Housing Provider).

CHPs develop a range of housing options along the housing continuum from emergency housing through to assisted home-ownership. Funding from the Ministry of Social Development, a main revenue stream for CHPs, was awarded primarily for the delivery of social housing for those on the income related rent subsidy (IRRS). IRRS is only available for beneficiary tenants, whereas CHP have a wider focus of providing affordable home options for all on low-medium incomes:

I think the Government has limited resources, so you limit that allocation and so the allocation goes to the highest need. But in actual fact when its housing there's a range of needs and then everybody needs a house and we have to make sure that everybody can access a house an actually can sustain that housing. So, yeah, I just think at the moment it's just a race to the bottom actually, I don't actually, I think we're creating more problems than anything (Community Housing Provider).

The reliance on IRRS income was seen by some participants as perpetuating the poverty trap, due to the fact it maintained tenants in a state of high dependency rather than enabling a route out through for example, shared ownership schemes:

There are a number of community housing providers out there, but most of them have chased the money and gone after income related rent subsidies through the Ministry of Social Development, but they're not actually building affordable houses, they're building social rental houses, which is perpetuating the problem... because that's the ambulance at the bottom of the cliff (Community Housing Provider).

The IRRS funding is insufficient to scale up the CHPs operations, and only generates enough income to maintain the housing stock, rather than invest in new

development. This lack of investment to enable CHPs to meet their demand created frustration, and a sense that social housing provision had been the focus of government funding at the expense of affordable community housing:

You know the capital grants dry up, and the National Government focused just so much on social housing and nothing else, and that affordable housing gap, community housing is just being forgotten about and been ignored and the market isn't taking care of it and as the market has got more and more out of control. More and more families fall into this, this gap, where they cannot access market housing and they do not qualify for social housing, so they are just in limbo and getting no assistance from anybody. (Community Housing Provider)

To meet demand for affordable community housing CHPs had to source additional funding outside of the MSD stream which if unsuccessful meant they were unable to develop both social and community housing:

The way MSD funding works is that any of the houses that they fund through their capital grant money has to be used for income related rent subsidies so we would have had to like do a combination of half MSD or whatever it was going to be but we still couldn't make it work financially, so in the end, we had to make the decision to do it all for people on the social housing register (Community Housing Provider).

The insecurity of funding, and the bias towards social housing limited the delivery of affordable community housing, particularly outside of Auckland:

For us Auckland is different, there is a different funding stream there, but for outside of Auckland there actually is not any capital funding any more. So, you know other opportunities that we've got, we're again in that position of having to wait to find finance.

...

I think again it really is having that consistent funding stream, so we know the environment that we're working in.

There was a sense of tentative optimism that the funding landscape for CHPs was changing at time of interview:

Yeah, so I think, it's certainly what the Labour Government has promised in terms of capital grants and better support for community housing and CHPs in general, I think it looks really positive for us with that (Community Housing Provider)

Despite this optimism and the introduction of the Housing Impact Fund (New Ground Capital, 2018), a recent press release from Community Housing Aotearoa quoting the Chair of the Auckland Community Housing Providers Network (ACHPN) indicated that the funding changes are still insufficient to maximise potential and meet needs. The current funding agreement was criticised, and a prediction was given that groups will reach a point where growth will be constrained. The ACHPN

demanded a 'commitment by government to re-introduce adequate capital funding alongside long-term operational contracts' (Community Housing Aotearoa, 2019b).

This request for reliable funding contracts was echoed from the participants in this research:

I think that if Government is actually going to get involved in a significant amount of community housing providers funding to actually deliver supply, then we need to be really clear that we've got the kind of flow well sorted out, that we know how long it takes and that it's as simple as possible, as opposed to it's convoluted, it's confusing, it's difficult and it's actually really costly and they'd never do it again (Community Housing Provider).

The impact of inconsistent funding streams was evident in the numerous projects reported as failing or stalling part way through:

Everything kind of stopped because we had no funding to actually do the build. So, we got the resource consent and then we got the quantity survey, and then we had the resource consent we knew how much money we needed and then we waited and waited for quite some time before we could actually proceed (Community Housing Provider).

Government funding was seldom reported as the sole source of financial investment; so as with land procurement, CHPs used a variety and combination of sources to meet demand:

It was staged funding, so we were able to get Government to pay for the land, yeah so that that was up to the 50% funding, so it paid for land and the first stage of development and then we were able to just take bank loans for the rest as it came through (Community Housing Provider)

Government bonds were emerging as an option in addition to the existing government funding routes, which reportedly ebb and flow depending on political cycles. Government bonds are used with success in European countries, where investment from various backers including the insurance industry is exploited (Battistini et al., 2018). Government bonds offer a good opportunity to expand affordable housing funding in New Zealand, this investment model is sometimes referred to as patient capital:

We're working with the new Government to explore the possibility of a Government backed affordable housing bond, which would just have a guarantee from the government, but then we would go and raise private capital from the likes of ACC fund and various things so they would do a long term investment with a guarantee return of capital and a guaranteed but modest consumers price index (CPI) plus 2 or CPI plus 1.5 yield on that, on that long term 10 or 15. Cause then that's low interest money at that scale and its available long term. Because our products are long term, we need to match up the money with the products (Community Housing Provider).

In summary, CHPs were faced with a piecemeal and unreliable funding source from Government. Funding was clearly aligned to a different agenda, that of delivering social housing, although the rhetoric is that CHPs will meet the needs of the intermediate housing sector.

4.3.2 Philanthropy and socially conscious investment

Access to private investment most commonly occurred through partnerships with developers and construction companies investing patient capital over the long term, with returns reportedly not always in monetary value:

One of the products that we've got is people investing money with us, and we actually pay them a return but it's not a commercial return, but they get a social return in terms of helping provide housing to people, and they will get some financial return. I mean it happens overseas, you know I don't know if you know much about Impact Investment but that, that sort of along those lines (Community Housing Provider).

The growth of the socially conscious investor was even noted from companies more commonly seen as competitors and counter to the objectives of the affordable housing sector:

I mean even Fletchers last week said they want to do rent-to-buy and shared home ownership, I mean who would have thought you know the bastion of conservative capitalism is now talking about shared home ownership, we nearly fell off our seats when we heard that. But we don't know what they mean (Community Housing Provider).

Philanthropic donation reportedly played a significant contribution to filling the government funding gap, with one CHP building 750 houses through philanthropic funding:

*Where's the money for the 750 houses coming from?
The Tindall Foundation.
And, and there's been some Government grants historically with the last Government, but they shut that down five or six years ago.
And there's been some philanthropy and stuff like that.
Yeah, so it's essentially just through the Tindall Foundation through very favourable low interest long term loans. (Community Housing Provider)*

Further philanthropic donations have also been issued through the Ted Manson Foundation, which aims to build 300 apartments for Community Housing by 2022 (The Ted Manson Foundation, 2018).

Despite its unreliable nature, charitable donation is regarded as one of the only viable means to finance projects and the need for low interest loans means that traditional bank financing is seen as a secondary option:

To a large degree, the delivery of affordable housing outcome requires a subsidy somewhere in the value chain, whether that be at the land or the margins of the people who do develop the land or the margin that is paid for the developed land or the margin that the builder takes or all of those, we need to be cutting out profits and margins all the way along to be able to deliver an affordable end product, and so land prices have become an issue. But the biggest issue of all for us in terms of being able to scale up our operation is access to long term low interest money. So, we can't make our model work by going to the Bank (Community Housing Provider).

Socially conscious investment is piecemeal and usually project specific, which limits the CHPs ability to strategically plan growth.

4.3.3 Bank finance

Alongside government grants, IRRS income and charity donations, bank financing was for most participants a critical part of the funding mechanisms:

We are a registered community-housing provider and a registered charity so all our money to grow comes from our developments, which are funded in part by the Ministry of Social Development, and then we borrow the rest from the Bank, and use our existing portfolio to leverage that loan. And then our tenants, the majority of them get the income related rent subsidy, and so that also helps to top up our capital for funding new projects. (Community Housing Provider)

The participants recognised the risks associated with bank finance. Reservations were also displayed from the lenders, with banks becoming increasingly more risk averse due to a contraction in financial services stemming from Australia. The respondents acknowledged their reliance on bank finance could leave them vulnerable to change in the borrowing terms offered:

I mean we're struggling with our cash flows now and that makes my directors nervous, because you know with tightening attitudes from banks. One of the most important criteria is our asset to liabilities ratio and because of this, and because we had 75% grant funding, it's not just an issue for us. The next most important issue is serviceability, so you know, I guess there is a risk, there's a fear that the bank's might tighten their requirements around what level of ability we have to service our debt, it could be an issue. But it wouldn't be for existing debt, this would only be an issue for well unless of course we defaulted which I don't see happening, but, if we need further cash flow as working capital for our operations then that might become challenging (Community Housing Provider).

Despite the benefit of a more stable housing system bank lenders were reticent to introduce new personal finance initiatives, such as shared homeownership equity and rent to buy schemes, demonstrating a lack of appetite to innovate new lending products to suit the intermediate housing market:

It's not radical at all. It's taken us 10 years of blood sweat and tears just to get the banks here to provide a mortgage for a shared home ownership family... Cause they don't like it and they're looking at it and they go well hold on there's two people own this house, we don't like that even though the risk to them is they've got a 100% security over. (Community Housing Provider)

For shared equity schemes, individuals need to be able to access mortgage packages that accept the model of multiple owners. Banks in New Zealand are reticent to lead the way with shared equity packages; as such, there is a role for government intervention.

So, their environment [banks] is not set up for us to do it [develop affordable housing at scale], but yet if we can't do it that's kind of it's our fault as well. Yeah and most of the risk gets put on to us. You know Government and banks are all very risk adverse and not willing to take on much risk. Yeah, it's very difficult actually (Community Housing Provider)

Shared equity schemes enable homeownership options in the intermediate housing market while assisting market correction. In a forthcoming economic research project evaluating the effects of SHAs with and without shared equity schemes (Fernandez, forthcoming) reports that SHA schemes reduce housing affordability, but SHAs in combination with shared equity schemes for retained affordable housing, benefit not just the shared equity home buyer but also the wider market by stabilising and moderating house prices.

In summary, bank finance is a fundamental part of the funding structure that CHPs depend in the construction development pipeline, but the banks' approach to funding affordable housing development, as well as the provision of financial products that reflect shared ownership models is risk averse. The cautious approach by private sector institutional investors and lenders is reflected in Australia, where the same constraints to scaling up affordable housing is attributed to the lack of low-cost finance and risk averse lenders (Gurran et al., 2018).

The role risk aversion has in constraining affordable housing is not surprising when viewed either from a global or local context. Globally, risk management dominates decision-making and following the near collapse of the global financial markets in 2007/2008 financial investment became increasingly risk averse. An effort to preserve wealth by a concentrated group of financial investors has paradoxically created more fragile and unstable systems (Johnson, 2011). Financial institutions are premised on the stabilisation of systems through careful risk management, which prevents systemic shocks but also stifles innovation, particularly in the funding of the public sector (Chen & Bozeman, 2012). In New Zealand, the effects of the GFC were relatively mild, and as a result, a more *laissez faire* attitude to financing construction

and development, and individual borrowing, was prevalent in the housing boom period of 2012-2015. However, a slowdown in the Australian economy, as well as increased scrutiny of New Zealand's economic security, has elevated risk aversion in New Zealand, and with it, a retraction in available finance has emerged.

In Australia, several state governments implemented shared equity models, either through support of individual or community equity models (AHURI, 2017b). Should financial institutions continue to withhold opportunities to explore alternative models for home buying in New Zealand, the best way to implement the opportunity of shared ownership may be through government intervention, as in Australia.

4.3.4 Asset recycling and scaling up

The most successful method reported for scaling up affordable housing delivery was demonstrated through the value capture of resale properties. Through combining mixed models of procurement and disposal, CHPs with existing assets could develop 'for profit' housing, to sell to market and reinvest the profit to subsidise affordable housing:

We have a bit of cash resources ourselves now so we're hoping to buy some land ourselves and obviously borrow, maybe going into a joint venture with private developers and take some of that development margin and keep growing our business (Community Housing Provider)

Where community trusts were available to support CHPs, the need to source bank financing was removed, enabling growth and removing the challenge of risk averse bank lending:

We haven't had to borrow for the last probably 12 to 18 months because we've had cash, we haven't had to borrow. We are fortunate in that we can tap into community trusts, a couple of local community trusts in Southland and the Central Otago one and we can get funding through their investment arm and we can get a council guarantee. So, council will guarantee our performance, so it just makes it a bit more, attractive to the lender (Community Housing Provider).

This so called 'asset recycling' (AHURI, 2017), gives a significant advantage as it offers an opportunity to scale up development. CHPs reliant on an income from IRRS payments generally secure land and housing at market value and have no or very limited opportunity to scale up their operations due to limited capital. In contrast, CHPs able to sell a proportion of the developments they build at market price, can save working capital for reinvestment in development opportunities:

*The other side to it is 100% commercialised, so we're physically developing houses for the market and building them. So, we're an unusual beast....
So, for us to scale we need access to scale capital (Community Housing Provider).*

CHPs also use the market-generated capital for use in community support projects, illustrating the commitment to the wider social welfare of their clients, not just meeting basic accommodation needs:

We rely on the income from the open market development to fund charitable things. So, we announced last week we are giving all of our shareholders free medical care, providing housing for people in the community, so you know, being cruel we need the income from there, you know, to affect other people's lives over there (Community Housing Provider).

The reinvestment opportunities with the potential to reach a significant scale only occurred in a few instances. These included, for Iwi with access to treaty settlement land, where the cost of the land was not factored into the development costs, where land was already owned by CHPs, and where IZ policies were in place, beyond this there were some minor examples of profit reinvestment, but not with the potential of meeting affordable housing needs at scale.

As with land, CHPs cobble together various financial sources to enable their development. The funding streams are in many respects unreliable and piecemeal, and often contingent on numerous organisations from different sectors agreeing to release finance to proceed with the next phase. As with access to land, the ability for CHPs to strategically plan is curtailed by the insecure funding context that most operate within. Scale and region also play a part in the level of confidence and potential each CHP demonstrated to scale up their operations, with a significant advantage afforded to large established CHPs with assets to recycle, and those with access to existing land and to philanthropic donations.

4.4 Bureaucratic processes and risk management in the current legislative and policy settings

Bureaucratic procedures and risk aversion challenged CHPs throughout most stages of the construction development pipeline but were most negatively felt during the planning and consenting phase. The following section works through the role of local authorities (LAs) both as the developers of planning policies and through the regulatory role of issuing resource and building consents.

Interviews with two planning specialists from Auckland Council are woven through the results. The interviews contextualise CHPs criticisms of the planning system. The inclusion of information provided by the planning specialists is not a formal Council policy response. Instead they offer a more nuanced understanding of the practical application and limitations of local and national policies for community housing providers.

4.4.1 The role of local government

Local authorities (LAs) have a multitude of interactions with CHPs during the construction development pipeline. CHPs perceived the role of LAs as both enabling and constraining, depending on the function, systems and LA in question. The interactions occur from acquisition of land, the planning rules and levers that control development potential, infrastructure provision, funding, pre-consent planning advisory, assessment of consent applications, development and compliance with conditions, and development contributions.

Each of the touch points is dealt with in turn to develop an understanding of how these roles impact on outcomes. Experiences common to all jurisdictions are grouped. It is also highlighted where experiences are relevant to one specific LA. The intention is to see the commonalities and differences between the LAs, and how these interaction impact on CHPs delivery of affordable housing across New Zealand.

4.4.1.1 Policy environment

The planning policy environment over the past decade was commonly described as capricious and challenging by the CHPs with an interest in Auckland, Christchurch, Hamilton and Wellington. There were several causes for the fluctuating policy landscape; including, the Christchurch earthquakes:

The environment in Christchurch was changing and the expectations and the standards and the accepted practice and acceptable solutions were changing pretty much quarter to quarter through that period, it was an incredibly complex environment (Community Housing Provider).

In Auckland, council unification, and the subsequent change from the former Regional Policy Statement and several district and regional plans to the Auckland Unitary Plan (AUP), as well as the introduction of the SHAs had created a lengthy transition period:

The overarching policy framework has changed. The Auckland Unitary plan was pumped through in such a small period of time, 5 years for a major change in policy direction, making everything more permissible, we've gone from a thou shall not build mentality to all these different district plans to open, and you really have to be in Auckland to understand that. There's not much like that, other than perhaps the emergency legislation done for Christchurch or HASHA, but again that's a law that allowed you to use the AUP when it was still in draft form giving it more power (Planning Specialist).

Although policy changes have streamlined and simplified processes, for CHPs the changes have led to additional work for projects at best and at worst

misunderstanding of what could and could not be built due to a lack of planning experience. For example, it is common to evaluate a project under proposed and operable rules during plan changes in New Zealand but in Wellington, the Residential Review and District Plan (change 72) Suburban Centre Review (Change 73), led to perceived unnecessary addition to work load.

Because the issues that we had were around the Resource Management Act and the Council and there was a proposed change. In those days Councils could say that they were proposing a change to District Plan and your project had to meet that change... So, that was very difficult, we're essentially having to do two schemes, one that didn't meet the proposed change and one that did. And then in the end the proposed change didn't happen, so we had gone through all the work and expense for nothing (Community Housing Provider).

Variation in planning policy interpretation was not reserved for non-planning specialists in the community housing sector. Divergent plan interpretations were also observed occurring within council. The amalgamation of one regional plan and several districts plans to the more permissive Auckland Unitary Plan, resulted in simplified zones with activities largely governed by restricted discretionary rules. The planning specialist interviewed for the research observed that in practise the application of the restricted discretionary assessment criteria was influenced by the legacy plans of the area under consideration, which could have been more or less restrictive. Therefore, the benefit of less prescriptive rules to enable development, can be countered with assessment criteria which is open to wider and less consistent interpretation across the region.

To manage the perceived bureaucratic process that accompany the perceived changing policy environment many CHPs employ professional planners and architects:

I think part of what is not necessarily that helpful is, you have to pay big dollars to get people who understand some of those processes within Council, because if you do not, you just keep going back and forward and it becomes drawn out and people get frustrated and then I think it becomes a little bit personality driven. But you know that also adds a significant cost to a project, you know in terms of getting those experts to be able to move it through (Community Housing Provider).

Changes in the national and local planning system, as with the insecurity of land and finance acquisition, affect the ability of CHPs to strategically plan for future development and reduce the viability of ongoing developments with finance diverted to bureaucratic processes:

It's sort of a system problem isn't it. I think that every party has to play a part. I mean the Councils have to enable the growth of community housing through consistent policy environment and consistent funding environment. It's just impossible I mean I've been doing this job for 14 and a half years and we've had so

many different funding streams, so many different policies, you know and it feels like two steps forward, one step back (Community Housing Provider).

As some of the CHPs operate in multiple regions, the participants were able to give an overview of the regional variations between councils:

There's quite significant regional variations and one of the stand-outs is Queenstown and also Wellington, where the Council tends to actually think and acknowledge through its actions that it has a role in the housing space. Yeah, quite different (Community Housing Provider).

Planning policy variability across New Zealand has been a limiting factor for efficient planning and development of community housing. The mandatory national planning standards should, when fully implemented, improve this situation. A more standardised approach to regional and district planning should enable developers to navigate regional and district plans across the country with ease. In the meantime, as these and other changes are implemented under the RMA reforms the planning policy landscape is unlikely to settle soon.

Despite the need for standardisation, there are some elements of an application process that are open to greater subjectivity. For example, urban design is very context sensitive. Another challenge is contradictory opinions between specialists:

Council has a big say, in the latest urban unitary plan, it's not so much about how much you can or can't do, but it's like does Council like it or not? Which is great, we all want good design, but the safety guy is interested in the carpark and the security and stuff like that, and then you get the traffic guy, and then the storm water and they're all at odds ...and I mean could we all get on the same page because this is about good design and social housing but they all end up in their silo (Community Housing Provider)

The balancing of professional views with a more strategic view of the role and purpose of affordable housing development is challenging and the frustration of seemingly conflicting advice is evident:

You know you might go up to Hobsonville Point and you've got the garage and the front door facing one way, whereas they said no you can't have the garage there, we had to redesign a whole load of stuff because they didn't want the garage being "the front thing". Whereas in Hobsonville Point that was absolutely fine (Community Housing Provider).

Variations in training and exposure to previous judicial reviews (JR) were attributed to the inconsistent application of policies across council departments in Auckland. One of the council planning specialists noted that 'you can get 5 planners in a room and get 6 opinions', attributing this to both the broad interpretation of restricted discretionary assessment criteria in the AUP, as well as previous experience of

judicial review. An option to avoid this type of variability and risk aversion in decision-making, could be more training and greater use of the planning commissioner if the consenting officer is concerned that a judicial review may occur because of a decision made.

4.4.1.2 Resource and building consents

One of the most commonly discussed issues for all CHPs was the impact of delays in the consenting process. Resource and building consents can either be applied for concurrently, or successively. Applying for both at the same time is riskier as both resource and building consent applications carry relatively large application costs. So, if a site is found to be unsuitable for development during the resource consenting phase any design costs, building consent application costs and associated planning fees can be wasted.

The safest way to scope out a development and avoid unnecessary costs is using pre-application engagement with the council, this process when executed and utilised correctly, offers the opportunity to anticipate areas of complexity and to work with the council to submit a well-resolved scheme, or as noted in some cases abandon an unviable project or purchase altogether:

There is more of a system now of pre-application meetings too, we have been through that process with another site that we were looking at that we did not proceed. In more recent years where you get to go and sit with the planners and map it out a bit, and I think that would trigger more of that collaboration and packaging up approach to the project from a Council point of view (Community Housing Provider).

The pre-application process is not always utilised and where this happens planning timeframes become more arbitrary and the opportunity for risk minimisation was lost. Larger CHPs reported regular engagement at the pre-application process, whereas others appeared to use preapplication inconsistently.

The negative impacts of missing the pre-application phase are demonstrated in the following quote, with the project discussed consequently experiencing delays and re-designs:

I'm struggling to recall what our engagement was with Council at that time. Development is a very kind of complex process, trying to find builders or construction solutions on various sites and then working through a consenting process. I wonder if we had a sit down and had a comprehensive run through of everything we intended to do with the Council, no we didn't... It was a far more complex process than we realised going into it at the start, particularly around geotechnical concerns (Community Housing Provider)

Due to perceived communication and competence issues within some councils not all pre-application processes resulted in a positive outcome, the following example could account for some of the variability in use of the pre-application process:

Our planners and architects work very closely, we go to a pre-app, I went to one a few weeks ago. At that meeting, there are a variety of clarifications and this has happened in a couple of meetings, where, for example the traffic people did not understand the rules and so they were asking us questions about things that complied, but they didn't understand them. There were some questions that we had which were meant to be clarified that haven't been. We haven't had any pre-app minutes and it was two weeks ago. And so those are the kind of things where we get delayed, if we are waiting two weeks for them to do the background research and confirm what is it that they want (Community Housing Provider).

Therefore, time spent on careful preapplication process and engagement reduces the risk for CHPs, but this is dependent on the provision of a good process within councils.

The main cause of blame for delays along the construction pipeline were attributed to the slow process of receiving resource and building consent approval. Trying to unpack whether the consenting process took longer than it should due to systematic failure, or whether the consenting process took the right amount of time, but the time was underestimated by the project manager is difficult. The findings point to both.

Several participants had experienced delays in the consenting process in Auckland, which had had significant impacts on project viability. The following quote is an example of the experiences of participants operating in Auckland:

So the effect on the whole thing is basically that, we have got a six, seven month delay to the whole build program which means that those people who we were going to house are not going to be housed for that time... We also lose the rent, we have the holding cost of the land, we have a price increase in the construction, so we have all these issues that have come out of this six month counter-delay (Community Housing Provider).

The system used by CHPs to estimate the time for consenting lacked rigour and was commonly based on experience of other projects, rather than on detailed scoping of the site in concert with local authorities, as such complexities were unanticipated:

You know for resource consent and building consent areas we probably would have thought six months...we all just figured that that's what it would take, but you know it didn't, it was the whole, is it notifiable, is it non-notifiable, and so therein lay our big issue because if it was notifiable and then it went to all the public stuff which they said that was probably going to cost \$50K or more and all the delays...that went through Council and it became non-notifiable...to then get resource consent all of that went through and then after resource consent of course you need the

building consent and so the whole total process was a year and a half (Community Housing Provider).

Variation between the speed with which consents were granted were observed between regions, with participants noting significantly faster consenting processes in some area over others:

I found Christchurch Council easy to work with... there was you know a real opportunity to do things differently and I felt that in every way (Community Housing Provider).

The improved processing time in Christchurch, followed a period of reported problems and a significant restructuring of the resource consenting system managed by Environment Canterbury¹³:

The context here is the Christchurch City Council consenting division was in a complete public state of meltdown. You struggled to get consents through and similar sort of timeframes, similar RFI issues, the Government stepped in, put Commissioners in place, outsourced a number of things to external planners and bound them to make decisions (Community Housing Provider).

The restructuring resulted in positive outcomes for community housing and an ability to drive projects through to development, the following quote attributes improvements in consenting processing to strong leadership and bold actions:

I think they had a can-do attitude, and a can consent attitude, and surprisingly consents got turned around and got granted and rightly or wrongly stuff got built and it got built really quickly and I don't think the environment got smashed too much and nor do I think the urban outcome, or the urban form was bad. You know literally they received a consent, assessed is it as a good application, tick, is it a bad application, send it back, and then the clock starts now, and we are processing it within the statutory timeframe. And if we don't have enough staff to do that, we will employ contractors, the applicant will have to pay for that, that was fine, we accept that, and it got processed and if it didn't get processed, you got told why it didn't get processed. And, rightly or wrongly you got change and you got the ability to build stuff (Community Housing Provider).

Notably Christchurch operates an approved consultants list which allows applications from recognised consultants to fast track through the planning process (Christchurch City Council, 2018). Preapproved consultants have been allowed previously in Auckland under the 'streamlined process', where in practice a consultant known to be familiar with the Auckland context could present a basic application for more of an audit, rather than a full interrogation of the application. The reintroduction of this scheme for all applicants could present an opportunity for Auckland, where the sheer volume of consents is seen as a barrier to progress:

¹³ Prior to the earthquakes

There was sometimes I felt you know maybe that you know just the burden and activity herein Auckland people sinking, and we've got multiple building consents and it feels like it's a lot further behind (Community Housing Provider)

For CHPs this might offer a means of reducing the risk of delays during the consenting phase of development. Particularly as many CHPs currently employ planning specialists to navigate the system.

4.4.1.3 Risk assessment and specialist availability

The main drive for detailed requirements at the resource consent stage appear to be due to risk aversion on the part of LAs. Risk aversion was largely attributed to the litigious environment most councils experience. Local authorities are legally liable for decisions allowed by them under both the RMA and the Building Act. Local authorities around New Zealand and are responsible for compensating owners for the leaky building crisis, resulted in a heightened risk aversion to anything but the most standard of procedures. Currently the lack of responsibility shown by developers, or the government, for poor practise means that councils bear the brunt of everyone's failures.

The level of detail required at resource consent, was seen by one planning specialist as a potential cause of delays. In their opinion some design issues could be assessed in the building consent or plan approval phase rather than the resource consent phase. It was felt there is a lack of clarity for specialists on best practise leading to an inconsistent approach. This again reflects the wide interpretation of assessment criteria requirements under a more permissive planning framework.

The implications of requesting fine grain detail at the resource consent phase is that only a small number of specialists have the skills to evaluate whether the design complies with the rules. The limited resource of specialists appears to conflict with the practical application of the mandatory timeframes, the consequence of which are delays.

LAs have tried to reduce their liability through the extensive use of peer review. In practise an applicant applies for resource consent through the presentation of a series of specialist technical reports which underpin the assessment of environmental effects required under the RMA. The consent planner then evaluates whether there is enough detail in the report, and if not requests further information. The planner also instructs a series of council specialists either internally or through subcontract, to evaluate the reports. With the response from the council specialists also taking the form of a specialist report, which the consent planner then compiles. In effect most resource consent applications require duplicate evaluations of effects.

In the opinion of one of the Auckland planning specialists this double peer review process is being used to prevent a judicial review (JR), but is also an implicit requirement of the RMA and therefore potentially impacts on all local authorities to some degree:

There's always going to be a double reporting level under the RMA as it stands and that gobbles up a lot of time (Planning Specialist)

Under the RMA there is a much greater dependence on specialist peer review, leaving less autonomy for consent planners to evaluate applications. This approach is not reflected in overseas jurisdictions such as the UK or Australia.

The impact of the increased level of reporting required under the RMA was demonstrated through the personal experience of one of the planning specialists that noted while working in an international context they would assess between 50-60 applications simultaneously compared to 5-10 applications for a senior and 15 for a consent officer in Auckland at any one time.

In the opinion of one of the planning specialist's the doubling of paperwork becomes particularly challenging when the multitude of reports are required to be signed off by team leaders.

4.4.1.4 Request for further information (RFIs)

CHPs frequently cited the use, or alleged misuse, of the request for further information function under both the RMA and Building Act as a major cause for concern. As noted in the literature, the RMA and the Building Act have statutory timeframes, which limit the consent processing times. The statutory timeframe for processing resource consents under the RMA is 20 working days, when councils exceed this timeframe they are obliged to give a discount to the applicant on their processing fees. Under the Resource Management Act, Councils are able request further information (RFIs) to determine actual and potential effects of the proposed activity on the environment and how any adverse effects may be avoided, remedied or mitigated.

In the opinion of this specialist, there is no proportionality to the statutory timeframes mandated under the RMA:

*To be honest apart from the simplest developments 20 working days is ridiculous, its 20 working days to process a single storey addition to someone's house and 20 working days for a 50-storey building with 300 units. Therefore, it should be proportional...
8 weeks is the general western international best practise for consenting (Planning Specialist).*

The purpose of the initial evaluation of an application is to establish whether the consent should be processed as notified or non-notified, as well as to understand the nature of the proposed activity to inform conditions on the consent. If insufficient information is available to process the allocation a request for further information (RFI), can be issued¹⁴, and the applicant can also request the application be paused under S91A-91C (Qualityplanning.org.nz, 2018).

Particularly in Auckland, but also in Wellington, many of the respondents suspected that the use of requests for further information (RFIs), were either unnecessary or, used as a form of delay tactic:

Oh it's a delay tactic, because they are so under resourced they have no other option, they're just doing what they can, they're just you know keeping their heads above water themselves, so it's frustrating, I certainly feel for them as well, but they're not doing it on purpose to antagonize us, they're just simply doing what they can (Community Housing Provider).

Formally local authorities are only allowed to 'stop the clock' once for an RFI under S88 but have more opportunities to stop the clock under S92 of the RMA. The planning specialist noted that in their opinion the reason for late notice of RFIs was due to delays in getting feedback from specialists in a timely manner:

When we receive an application, the specialists are meant to respond within one working day saying whether an application can be accepted, based on whether we have enough information to assess it. Within 5 working days they're meant to respond and say these are our requests for further information. And if they don't have any requests within 10 working days they are supposed to provide a technical review memo which feeds in to the technical review report. But the timeframes are exceeded three or four times as they don't have the capacity. (Planning Specialists).

It is good practice to only send out one section 92 letter, delays waiting for specialist responses on missing information were attributed by one planning specialist to the late notification of RFIs:

*We're a bit hamstrung because we want to send out one S92 letter so we have all the specialist views, you've got to feel for the planner as they have to collate all those views and send them all out, so they could everything bar one, and if that's delayed it delays everything, as they only want to send one S92 out as new things cannot be added....
If the applicant hadn't fully answered a question, then the clock wouldn't start again. And they legally can't stop the clock numerous times. So, under a S92 we wait until*

¹⁴ Section 92 of the Resource Management Act 1991 (RMA) allows councils to request further information from an applicant and/or commission a report, at any reasonable time before the hearing of an application or before the decision to refuse or grant consent if there is no hearing.

we have everything on their before we send it out, so that might account for the seemingly late RFI (Planning Specialist).

Lack of clarity within the RMA on the level of detail required to assess a proposal results in frustration on the part of CHPs, with identical applications gaining consent in one context but not others:

We've still got the same [design], but it's just totally variable, so sometimes we'll get a new graduate who comes from a cultural paradigm that says must enforce all rules every time, no professional judgment allowed, and they just throw the book at us (Community Housing Provider)

Without disclosure of the details from each project it is impossible to verify the accusation that the clock was stopped multiple times. The use of RFIs as a delay tactic to buy more time for overburdened staff is unproven but was raised as an issue for CHPs operating across the country. In response to this criticism one of the planning specialist noted that this accusation was very cynical, and in fact the cause of delays was more likely systemic and due to a lack of clarity in the RMAs purpose.

The reported impacts of delay were significant for CHPs and their clients, as this quote indicates the effects are both economic and social, with creeping construction costs adding to the burden:

We were drip-fed RFI's which meant that the whole process took so much longer. Our original plan was to have these 12-vulnerable people in the homes by Christmas. We will be lucky if we've got them in by July now, because the builders will start, then they'll have to shut down for Christmas and start up again. So now the building program is longer, we also lost our builder who was originally going to do the work, he had given us a price, he wasn't able to do the work at the price he had originally planned due to the time slip (Community Housing Provider)

Crucially the point at which CHPs are applying for resource consent is usually also the point that the project is most vulnerable to collapse:

We almost saw them [project] fall over, because their cash flow was absolutely timed, because they got the loan, bought the building and they thought that they would actually have this particular lead time and that we would be occupied in early 2016, and we are almost at the end of 2017 and we are still not in there (Community Housing Provider)

When consent is applied for invariably the site has been cleared, so any capacity to retrieve a rental yield has gone, also the financial lending is at its most expensive as lending is not secured against an asset, just the land value, while in tandem construction costs escalate:

Yeah, we had about a 20% blow out on that just cause of the environment that we have entered to both with Council fees and building fees...we had to find another million dollars. (Community Housing Provider)

Delays during the consents section of the construction development pipeline have the most acute impact on the project's viability; this offers some explanation for weight CHPs gave to the consenting timeframe when evaluating the construction development pipeline as a whole:

Look, we did the demolition back in August. But we haven't been able to start. So, we had to go through a full new tender process getting a new builder, the price has really escalated... We also lose the rent, we have the holding cost of the land, we have a price increase in the construction, so we have all these issues that have come out of this six-month counter-delay. (Community Housing Provider)

Standardised consents using design templates for building affordable housing could present a more streamlined approach to consenting. The Ministry of Business, Innovation and Enterprise contemplated this previously; however, an inability to decide where liability would lie prevented the idea gaining traction.

4.4.1.5 Single point planning contact

In Auckland, despite changing policies creating a lack of certainty for CHPs, there was a level of support for the SHA process, which was being wound down around the region at time of interviews. The research revealed many of the participants regarded the SHA process as having been positive for them, despite SHAs being widely regarded as having not met their potential for affordable housing delivery (Ministry of Business, Innovation and Employment, 2017& Auckland Council, 2017). The common factor of those that reflected on the SHAs positively was their appreciation of a streamlined approach during the consents process, which in Auckland was facilitated through a single point of contact in the Housing Project Office (HPO). The CHPs that had experienced a single point of contact to assist with their planning consents felt it had prevented silo thinking, which subsequently had become a major concern:

*That was such a blessing for people in the community housing sector. And it was a period of quite special productivity for us, because there we had a group of people who knew what they were doing, they knew that what we were doing, who we were, they knew why we were doing what we were doing, which was totally aligned, we thought, with the Council objective of developing thriving diverse communities, and we got stuff through there really efficiently and effectively, which meant we got a much greater impact on our capital that we employed because it wasn't tied up in endless bureaucracy and delays and, and all that sort stuff.
So, if you compare with and without the SHA's how much more productivity was you getting out of that?
Oh, probably double (Community Housing Provider).*

In Christchurch, a single point of contact within the council was established for all CHP projects. This agreement emerged following a 'political approach' complaining

about the lack of consistency, with the result being a much more efficient consent process and increased productivity by the CHP:

That was piecemeal until we made a political approach to the Council and at that point they organized an oversight consents officer, I forget what the title they gave to that role at the time, but someone who took care of us as a package, prior to that our consents were just going through and being dealt with on an individual isolated basis, so we would have RFI comings back that were inconsistent for neighbouring sites for example. So, once that all became a package it was the same person looking over it and we knew that if we were getting issues arising with one site then that would be repeated for other sites and we could discuss it all in a context (Community Housing Provider)

In Wellington a streamlined process was described but only for the University, with this participant ruminating on the potential benefits a similar scheme could offer for CHPs:

Yeah, one of the things that we kind of think would be helpful is that if we had the ability to manage projects, special projects or significant projects, I think they might call them. And so, for example, you know Victoria University does a lot of building here, so any kind of project like that they actually have a delegated Council person that works with them and that's what we feel we need. We don't want to have any special conditions that are in the District Plan but for our organisation certainty and consistency are just so necessary to be able to manage projects well and manage cost well. So, we've sort of felt like there needs to be much more guidance from Council and commitment from Council throughout the whole process and somehow tying up the Resource Consent process with the Building Consent process. Because you know, you often have delays between the two, and we just feel like we're exposed during that time to any changes that come along (Community Housing Provider).

In summary, one of the major drawbacks for CHPs is the lack of preferential treatment they get. Their purpose and scale are quite different from small-scale private applicants, but since the wide scale dissolution of the SHAs, they must navigate the consenting system as an individual applicant would.

Likewise, as they tend to be of a much smaller scale than the large private developers are, they are unable to use the fast-tracking services available (except when using the system in Christchurch). Without preferential treatment their projects are vulnerable to delays caused through lack of streamlining in the consenting process, which has the potential and does on occasion, make their projects unviable.

4.4.1.6 Planning costs

Community housing providers undertaking developments make financial contributions to local authorities for several different purposes, including bonds, infrastructure contributions, development contributions and consent fees.

The costs of applying for a standard notified resource consent in New Zealand cost up to twenty times that of the cost of a standard notified resource consent in England ¹⁵. The cost of applying for resource consent in England is fixed by development size thus providing a much greater level of certainty (Planning portal.co.uk).

For CHP developers where the modus operandi is to reduce or remove costs altogether the opportunity for cost recovery is diminished or removed. Therefore, where high consenting costs may make commercial developments less profitable, with community housing they can make them unfeasible. Furthermore, resource consent costs can continue to escalate during the application process. Unlike in England where consent costs have a flat rate which enables certainty for developers.

The option of standardising fees would have the added benefit of freeing up time for time constrained planners by removing a layer of bureaucracy currently allocated to completing charge administration data:

Because the other thing we should acknowledge is that the planners have to spend hours and hours of their week, recording their time, putting in descriptions everything else. See if everything was fixed they wouldn't have to do that, that would be one massive administrative nightmare the planners don't have to do anymore (Planning Specialist).

All planning authorities in New Zealand are run as cost recoverable ventures, despite there being no statutory obligation under the RMA to recover costs on resource consents. Under the recently announced 'affordable housing programme' decreed by the Auckland Council Planning Committee (Auckland Council 2019), options for reducing costs to those developing affordable housing will be evaluated, which could include some reduction in council fees reflecting the social good provided by affordable housing development.

Development contributions (DCs) is another considerable cost for CHPs. Unlike the justification for resource consent application fees, development contribution fees are more clearly aligned to outcomes, as the primary use is to provide infrastructure for new development use, which was acceptable to some CHPs:

Everyone wants something for free, and you know everyone goes "oh the Council should waive their development contributions", but of course the development contributions are paying for the services that are going to those sites, so you know, you're just asking for a handout one way or the other if you're asking for development contributions to be waived. So, if you want a handout it just a matter of what pot it comes from, I don't see that development contributions are any

¹⁵ Fully notified consent cost \$20,000 (Auckland Council), \$16,000 (Wellington City Council) equivalent full planning permission £462.00 approx. \$1000 (planningportal.co.uk).

different, are any more logical to ask for a break on than any other form of subsidy that you might ask for (Community Housing Provider)

Where CHP developers contributed significant upgrades of infrastructure as part of their development they questioned the justification of further contributions and were keen to have more transparency as to where their contributions were being used:

Fundamentally, no problems with paying development contributions if they are transparent and you can see where they've been spent, no problems at all. I guess the bit that I struggle on is that an example on the North Shore if I'm putting in \$50 million bucks or \$40 million bucks which what is I think it is or thereabouts (Community Housing Provider)

Despite acceptance of DCs, many felt that accounting for the wider social benefit that community housing provides, and the not for profit status of CHPs should result in a discount on DCs:

Yeah, that's something that we've been advocating for a while actually. The development contribution is being calculated at \$65,000.00 for this development, which is just, you know in the scheme of things it's not a huge amount of money, but for an organisation like ours, ours that's really resourced constrained that is significant (Community Housing Provider)

4.4.1.7 Summary

Although LAs are not directly responsible for the development of affordable housing the role LAs have in the delivery of affordable housing is significant, the multiple interactions create critical path dependencies for CHPs. From the planning rules that CHPs are required to navigate, to the diverse interpretation of district and regional planning rules, contradiction between specialists working in silos, and lengthy and costly consenting processes, and other financial contributions, LAs have the capacity to ease or hinder the path of CHPs considerably.

Under the Auckland Council's Affordable Housing Programme (Auckland Council 2019) options to enable CHPs will be explored. In respect to this, assisting CHPs to reach their affordable housing objectives could be enabled by viewing them as a distinct group of developers, and not the same as either commercial or individual property developers. The 'Affordable Housing Programme' will also evaluate policy changes, such as mandatory IZ which could have the potential to benefit CHPs productivity considerably, particularly when done in conjunction with a community trust as in Queenstown. Smaller changes could also impact on the productivity of CHPs, for example, introducing a single point of contact during the resource and building consent process; use of preapproved consultant fast track consenting as demonstrated in Christchurch, allowing the roll out of pre-approved templated

designs, approved either by council urban design teams or government; as well as reduced or removed development contributions, infrastructure bonds and consent costs.

4.5 Construction sector capacity and innovation

The consenting process, financial funding and land availability issues all influence restrictions in CHPs construction development pipeline, however this does not account for all delays, with the construction phase also being a considerable factor in affordable housing delivery. The construction industry is reaching the limits of its capacity (Ministry of Business, Innovation and Employment, (2018b). Residential building activity is the largest contributor to national construction, accounting for 59 per cent of total construction value in 2017 (Ministry of Business, Innovation and Employment, 2018). A construction peak is predicted for 2020 to be replaced by long term stable growth through to 2023 and the challenge of meeting this projected growth needs to be met either with increased skilled workers or increased efficiency in the construction sector.

The effect of the constrained capacity was felt by the CHPs through difficulty sourcing and retaining construction contracts and meeting escalating costs. Some CHPs even suspected the intense competition for skilled construction was leading to profiteering in the construction sector:

I think the construction costs have you know radically changed and I think that we shouldn't under estimate when you've got so much work on and a lot of the developers have got an enormous amount of work on, I mean I've heard people putting ridiculous prices on things because they can (Community Housing Provider).

This view was common with some describing construction firms as monopolies with too much control constraining innovation:

You know there is the mafia of New Zealand construction industry (Community Housing Provider).

In contrast, some participants commented on the good will demonstrated from some smaller scale commercial contractors, who acknowledged the vital role that CHPs play in meeting community needs. The rise of the socially conscious construction firms mirrors that of the socially conscious investment model:

I'm sure you know there is a lot of goodwill, I have to say that, there's a lot of goodwill, like our architect has done the work at a fixed price and they probably haven't made as much money from us as they would from a private sector person or a Government agency, so, yeah I mean I think there is goodwill in the construction industry, it's just about how to get that you know what I mean...

...

...you know there's a lot of builders that have slightly philanthropic objectives, they want to do something good, it's not all about making returns and developing \$1,000,000.00 homes. It's also about doing some good stuff for the community, I think there is that aspect out there (Community Housing Provider).

Despite good will enabling some benefit to the community housing sector, the limited capacity of the construction industry in New Zealand still restrains growth. The recent drive by the government to build affordable housing under the KiwiBuild banner, merely diverts a limited supply of skilled workers from one area to another, it does not add to the capacity of the sector overall.

An alternative to increasing labour capacity of the construction sector, is increasing efficiency. Efficiency can be achieved through technical innovation and streamlining of processes such as manufacture of components, panels, pods and/or complete buildings. Despite the potential for prefabrication and technological innovation to improve construction output in New Zealand uptake has been relatively slow.

The potential for prefabricated construction is limited in part by the risk aversion held by both CHPs and LAs. CHPs although interested in the potential that new technology held for them, were constrained by concerns that they would face opposition to new technology use through the consenting process. As such they were keen to be 'early adopters' but not 'pioneers':

I think we would want to stick with proven and widely adopted approaches to constructing housing. So, you know there's some pre-fabrication going on, there is a big prefabrication factory that's gone in down here, I think that's a great concept. I'm sure they you know there is no particular difficulties with what they are producing, but I don't think anyone whose gone down that path is getting any particular advantage over old fashioned building, despite the theory that prefab is the way to go (Community Housing Provider).

... so, we are very open to innovation in terms of construction methodology, but we will be an earlier adopter we will not be a pioneer (Community Housing Provider)

Where CHPs were adopting new technologies, this was done through partnership with major developers, thus minimising their risks through the consenting process:

It's definitely floating towards our shores, people are looking at and going you know how can we do faster, better, whether it's coming in containers, whether it's coming basically as a container that just locks together, or whether it's factory builds here you know they are all in that sort of zone looking for the volume and guarantee of commitment and reduction in time. So, you know we have been working with Mike Greer a bit and of course they have been working with Council and going how many of our consenting processes can we get done inside the factory (Community Housing Provider)

The general reflections of the CHPs were that new technologies present a potential opportunity and adoption of prefabrication will inevitably affect methods and

processes in the future. However, due to their relatively small project margins they could not pioneer such advances.

The risk aversion largely reflects that noted throughout the consents process. Where LAs have limited exposure to new methods and processes they are more risk averse. This then results in less appetite to apply to consent innovative design, and so the cycle of risk aversion and innovation suppression continues:

Our council, Queenstown Lakes District Council was hit pretty heavily by the leaky homes syndrome and they ended up making a huge number of out of Court settlements, and a lot of money went out of the Council as a result of that. So for that reason I don't think they're very open to new technologies, just pretty much because you know, they've been burnt already, so they're very cautious about it (Community Housing Provider).

The non-innovative nature also reflects a lack of nimbleness in the construction sector, reflecting a lack of appetite to change tried and tested methods. It is argued by the following participant that the constrained capacity serves the construction sector well, further reducing the appetite for change:

Oh I think that probably they are not as naive as going it's an easy transition [to new technology]; you know there is the mafia of New Zealand construction industry, that likes continuing to sell the same products, and you know while there is so many things overseas, getting it through the standards here is proving quite difficult for most of the new technologies (Community Housing Provider).

To scale up the use of innovation in the construction sector alternative drivers may be required. For example, there is potential for some of the liability risk associated with new technology adoption to be removed by introducing standardised prefabricated houses in a limited number of templates. This system was floated by the Ministry of Business, Innovation and Employment (MBIE) in recent years but has not been established.

Another influential factor in timely construction is access to construction materials. Some respondents in this research reported issues accessing materials, with an example given of concrete tilt slabs, commonly used for safety and noise mitigation, only being accessible from a single manufacturer in the Bay of Plenty, this demonstrates an opportunity for increasing the availability of construction materials closer to the source of demand:

We get concrete tilt as well, and the reason for that is in the event if tragically you had a fire, then it does become isolated to one block. And the sound proofing is much better with concrete block, a little bit more expensive. The issue about being supplied here, coming in from Napier or Hastings because you just can't get concrete tilt at all (Community Housing Provider).

In summary, CHPs are constrained by the capacity of the construction sector, with a finite number of skilled construction workers, high construction costs, and competition for the limited pool of both workers and resources affecting the viability of projects. In practise CHPs rely upon opportunities of reduced cost labour and professional services from socially motivated suppliers to reduce the cost burden of construction.

Where CHPs undertake their own construction project management, they retain control of the contracts, timeframes and budgets, the alternative is to entrust these functions with professional project management companies, which carries its own risks.

Evidence of a willingness to include new technologies, such as prefabrication techniques, was countered with a reticence that a lack of specialist knowledge within the building trade and the consenting process might slow the pipeline of construction down. The liability risk associated with defective building supply, as demonstrated through the leaky building issue, has impacted on both council and construction developers constraining the rapid adoption of new technologies. Quantifying the extent of the impact of risk aversion is not possible through the findings of this study, but the frequency with which it was raised in all the different aspects that CHPs engage with implies that risk aversion plays a considerable role in restricting the construction development pipeline.

4.6 Challenging the status quo and options for scaling up the delivery of affordable housing

This research has suggested that opportunities for CHPs to scale up their operations is determined by the financial, planning and political policies that they are operate within. Over the past decade, government has relied upon CHPs to meet the affordable housing needs in New Zealand, but without fully engaging with its role as enabler for them to achieve this:

Government they want providers to provide at scale and sure we do, we do need more houses on the ground, but if somebody had you know enabled us, like our small organisation to build 20 houses every year for the last you know 10 years, that would be 200 homes that we would have now and I think the sort of culminative effect you know the bigger you get, the more you can do, so probably that would have increased, but you know what I mean, if there had been that plan, the vision, and the resources put into it, yeah we would be a lot bigger than we are now, so (Community Housing Provider).

The above quote was common to all CHPs, in that they felt largely side-lined from the Government's initiatives which had stifled their potential. Since interviewing the

CHP representatives, the Government has announced its intention to partner with CHPs in the development of a considerable proportion of its KiwiBuild programme. It remains to be seen if that will allow CHPs to meet their own objectives and community needs or whether they will be required to focus on the wider government agenda.

The following section explores the challenges of scaling up affordable housing recapping on opportunities for improvements with all the process that impact on community housing development.

4.6.1 Challenges of scaling up

Growth and delivery of affordable housing at scale is demonstrated where CHPS can build up and reinvest working capital through market sale of a proportion of their developed housing for profit. The CHPs benefitting from IZ and treaty settlement land were the most able to undertake this type of reinvestment due to avoiding the high cost of land and developer-built housing on the open market. CHPs without these opportunities were restricted to a cycle of grant led investment to develop retained assisted rental, with limited capacity to grow.

The following quote illustrates the range of functions and products CHPs already undertake and offer:

We buy land, we develop land, horizontal infrastructure, earthworks, we build houses and then we manage the families, identify the families, prepare them for successful tenancy and home ownership, do financial literacy work with them and manage them all the way through to independence 100% independent home ownership out the other end of our products. We've got two products, a rent-to-buy and a shared home ownership product. (Community Housing Provider)

A change in mandate is needed for those responsible for public land disposal to reflect the wider benefits available to society of stabilising the housing system, rather than just providing the highest capital return. As this quote highlights cost benefit analysis from a purely economic perspective, which does not reflect social costs and benefits, are a missed opportunity:

I mean if you reward a CEO on financial objectives then they chase financial objectives, if you put in there they have to achieve a certain metric of social objectives, so long as you are very smart that your KPS's will drive the behaviour you want to see and that's exactly what's happening. There is no understanding of the engagement with the community-housing sector in terms of the way that works (Community Housing Provider)

Rising homelessness, overcrowding, and unstable rental markets have multiple societal impacts. Enabling access to opportunities and smoothing the path for CHPs

to grow their economic base would provide stability for growth of the sector and wider social equity outcomes.

To protect and further enable CHPs as they grow, the risks they currently face from inconsistent financial support, delayed and inconsistent resource consent procedures and shifting government policies need to be addressed.

As noted through this report CHPs operating in most jurisdictions have not received the backing and tools to enable them to meet their full potential. CHPs have shown agile responses to the inconsistent application of funding and planning policies and legislative frameworks, as well as ways to navigate the consenting process.

The risk of not enabling the process for CHPs is that they will adopt strategies that either put their development at risk or benefit their own projects at the expense of the wider system. For example, one CHP reported navigating the consenting process by breaking their consents into smaller applications to ensure progress on site, the method meant that a request for further information on one part of the site would not stall the whole project, this tactic had been observed by the planning specialist who remarked 'developers breaking down consents to avoid delays is a nightmare for the planners in council', by clogging up the system with multiple consents delays in the system could be exacerbated:

Another risky strategy to try to progress work included starting work on site prior to consent approval being finalised, this practise carries significant risk to CHPs but attempts to mitigate the loss of time in project delays.

The role of LAs in enabling growth of the sector could be achieved through exploring permissive and streamlined consenting processes with set fee rates which would limited risk of cost escalation for CHPs. Costs associated with securing approval are also prohibitive. Currently there is no distinction made between commercial development and that with a demonstrable social benefit as the main objective.

The current review of the RMA could create an opportunity to enable development and standardise approaches across the country. As noted by one of the planning specialists the original purpose of the RMA was to protect from issues such as run off from the dairy industry, and therefore it does not automatically enable development of affordable housing.

Delays due to short processing times create costs for Councils, with Auckland reportedly discounting a significant amount of application costs due to not meeting statutory requirements:

*For each day that is over time frame its 1% discount to the applicant.
A lot of applications at the moment are getting 30-40% discounts (Planning Specialist).*

Despite an obvious disconnect between processing time expectations, international standard practise and the realities of processing complex applications within 20 days, any changes to the RMA that are perceived to either increase processing time or remove rigour is likely to be politically unpalatable.

In the opinion of this planning specialist, when asked to reflect on changing the current 20-day consent processing requirement to align with comparable countries legislation, including the UK, Australia and the USA where 40 days is the standard processing time:

This could mean that they won't consider it. The problem is that in the UK you've got double the timeframe to process, so automatically the government would see that you're adding an extra month, but in reality, that month you're consulting with, you're saving time at the end as the paperwork is done, and once it is lodged its more finalised (Planning Specialist).

4.6.2 Central government and affordable housing delivery

The final important actor in the construction development pipeline for CHPs is central Government, it is also arguably the most influential enabler and constrainer of the construction development pipeline. Government has touch points with CHPs through land access, planning and building legislation, rental legislation, financial grants and lending, tax systems, income support and subsidies, treaty settlements, and social housing delivery.

The commitment by government to deliver affordable housing has been demonstrated with the government led KiwiBuild programme. Despite the intention of the programme to deliver 10,000 affordable homes in 10 years, recent commentary on the programme has revealed that this is unlikely in its current form (Edmunds 2019). Until a full report on the programme is released this year it is unclear why the objectives will not be met.

As noted throughout the interviews with the participants the legislative setting appears static and unable to address the fundamental ambitions of all those in the housing development and construction sector. The RMA is currently under review, which presents an opportunity to deliver a legislative setting that reflects the need for more streamlined planning.

Fundamental to the failure to speed up affordable housing development is the significant bureaucracy and risk adverse culture necessitated under the New Zealand legislative framework. This risk aversion is attributed to years of case law, where local authorities were required to gather expert witness reports to process consents.

Risk aversion in the banking sector also adds constrains CHPs in their objective of developing affordable community housing.

This could be addressed by reassigning risk responsibility to central rather than local government and reducing the liability of local authorities which currently limits efficiency considerably.

A more pragmatic approach to consenting which reflects that public liability risks are much lower for resource consents than for building consents could also enable change:

There's a lot less risk around planning accreditation than building accreditation, building is about safety its life or death. Planning approvals are about maintaining your neighbour's property value by for example blocking light from their lawn (Planning Specialist).

To create a more streamlined planning system which would support the delivery of affordable housing New Zealand could look to other jurisdictions where the legislative framework affords planners greater autonomy in their decision-making, and liability for failure does not solely fall to the LA. For example, the UK and Australia.

Reducing LA liability during the consenting process could also benefit the uptake of new and more efficient construction technologies, currently side-lined due to either lack of experience in consenting them or fear that the use of new technology will further delay the process.

The pipeline of construction and development for CHPs is not a linear model as demonstrated through a system diagram in Figure 2.

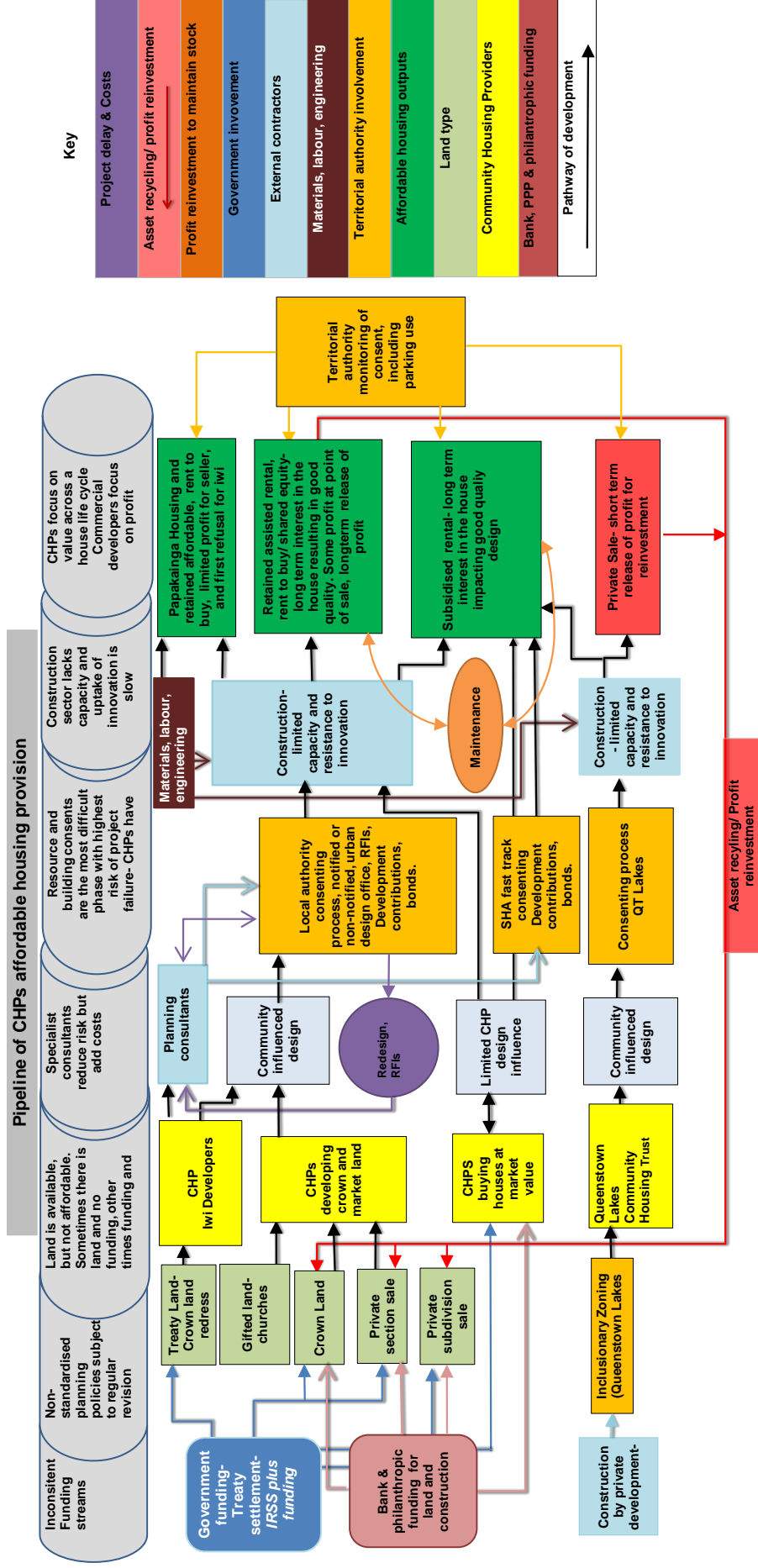


Figure 2: System diagram of CHP pipeline of construction

There are multiple actors, path dependencies and feedbacks. The model demonstrates that only a few methods for developing affordable housing have an inbuilt capacity to be scaled up, with most community housing providers working at a limited scale and scope, as funding and land opportunities arise.

4.6.3 Summary of results and future opportunities

In summary, community-housing providers are dependent on a range of actors to support their objective of providing affordable housing options. Interactions between the main actors and CHPs depend on the scope and scale of the project. In many ways, CHPs must be opportunistic, balancing costs and benefits of different degrees of interaction with these actors throughout the course of a project. CHPs demonstrate an agile business model, adapting quickly to external influences. In summary, CHPs operating in most jurisdictions do not have a static approach to development.

CHPs use a range of sources for project financing, including government grants, philanthropic donations, and religious and community group donations. Bank loans and government funds offer the largest source of project finance, but a growing number of public private partnerships are emerging.

Landholders significantly affect CHPs ability to develop affordable housing. The main landholders CHPs interact with include the Government through Crown land disposal, local authorities, private landholders, private developers, churches and community groups. Treaty settlement land also offers an opportunity for affordable house production for CHPs affiliated to iwi.

Local authorities have several impact points on CHPs, as noted above they can be landholders; but the more prominent impact is through their regulatory function. Regulatory impacts stem from land use plan development; urban design requirements; development contributions; infrastructure and bond requirements; building regulation enforcement; resource and building consent approval; and, density and parking regulation through consenting and conditions.

Construction companies and developers also hold a pivotal role in delivering affordable housing. The capacity of the construction companies to take on housing development projects for CHPs is constrained by competing demands for a limited resource of skilled workers. Furthermore, the dominance of large for-profit developers swallows up a large proportion of the construction capacity, leaving a piecemeal selection of small independent firms who struggle to remain competitive considering rising material and labour costs.

Arguably, one of the most influential actors on CHPs is the central government. Government plays many important roles, as financier, landowner, and legislator. The

political will to support CHPs or focus efforts on alternative models has a significant impact on CHPs ability to deliver on their aim of providing affordable housing.

On November 24th, 2018, the Ministry of Housing and Urban Development (HUD) announced the establishment of the Housing and Urban Development Authority (HUDA) which is a Crown agency consolidating Housing NZ, House, Land Community (HLC) (formerly the Hobsonville Land Company), and KiwiBuild. The objective of HUDA is to lead small and large-scale urban development projects, and to be a public landlord. As the announcement of the HUDA is still new, implications for CHPs are still unclear. The announcement that any entity can apply for a development project under the HUDA, and large-scale applications can gain access to the following benefits: shortened planning and consenting processes; building and changing infrastructure; funding infrastructure and development; bringing together parcels of land; reconfiguring reserves, looks to benefit the CHPs that operate at larger scales. CHPs operating at smaller and more bespoke scales, who currently struggle due to their lack of special status do not appear to benefit from the HUDA.

5 Conclusions and recommendations

Community housing providers occupy a unique position in the overall construction development pipeline in New Zealand. Despite this the challenges they face are like most developers, limited by numerous path dependencies including affordable land availability, financial policies, national and local legislation and regulations, construction capacity and a constrained consenting process. Therefore, if many of the challenges for CHPs were addressed there is potential that development capacity for the rest of the sector would also be freed up.

The research revealed several key insights into the CHPs construction development pipeline. The work revealed that CHPs work within extremely challenging financial systems, susceptible to international economic volatility, piecemeal government funding, sporadic philanthropic donations and limited opportunity for profit making from property sales. Drip-fed funding and the lack of financial security limit CHPs opportunity for strategic planning and sector growth.

In Auckland the recent announcement of the Affordable Housing Programme (Auckland Council, 2019), supported by the Planning Committee will enable the evaluation of a range of options discussed in this report to address the affordable housing shortfall in Auckland. As recognised in the findings, the pipeline of affordable housing is dependent on much more than just local authority action. With that in mind the report gives eight recommendations, three for local government and five for central government to support CHPs in their work.

5.1 Local government recommendations

1. Assign CHPs a special status

Except for those operating in Queenstown, CHPs do not have any special status with LAs. A special status for CHPs could include providing a dedicated planning specialist as a single point of contact at the council. The purpose of the role could be to support the development of proposals and navigate the consenting process. Other options could be fixed fees or fee waivers for resource consents or reduced development contributions, both options would improve financial certainty for CHPs.

2. Increase specialist capacity

The current legislative system, including the RMA and Building Act, require significant bureaucratic input. Assuming no changes to the legislation LAs could influence processing times by increasing capacity within the consents departments.

3. Investigate planning policy changes and alternative land tenure models

Currently only Queenstown Lakes Council operate an inclusionary zoning policy. IZ does hold some potential for opening availability of land and funding for CHPs. Research on IZ reviewed in this report indicated that mandatory IZ policies have a greater impact on the delivery of affordable housing than voluntary schemes. IZ should not be relied upon solely to address the delivery of affordable housing.

For IZ to work outside Queenstown an alternative approach to its implementation may be required. The alternative approach could reflect a more blanket approach to inclusionary zoning like that used in the state of South Australia, where all large-scale development has a mandatory requirement for 15 per cent affordable housing (AHURI, 2017b).

IZ policies could also be used in conjunction with assisted homeownerships schemes such as shared equity and rent to buy schemes, to enable opportunities for the community to staircase into home ownership.

Lease land models are becoming more common at the central government level for the provision of affordable housing. Local authorities could also explore this as an option for surplus land use.

Community Land Trusts work with success in the UK, where using a lease land model provides both entry into affordable housing, as well as retention of the affordable element in perpetuity. This option could present an opportunity for local councils.

5.2 Central government recommendations

1. Change the liability risk for local councils

Local authorities have carried all liability risk when a development does not reach acceptable standards. This was clearly demonstrated with the 'leaky building' issue, which resulted in several local authorities being exposed to legal action and losses through payment of compensation. The announcement by the Building Minister in 2018 to 'rebalance risk and liability in the building process' through reforms to the Building Act should address the lack of accountability developers take for defective builds. Taking this a step further and having government underwrite the risk for new technology such as prefabrication use for community housing, would further address the constraints caused by risk aversion in scaling up affordable housing development.

2. Ensure reforms in the RMA allow a cut down on bureaucracy

The Government has indicated that it is open to reforms of the RMA. Under the RMA for large projects all councils require an assessment of environmental effects (AEE)

for a resource consent to be granted. These assessments usually include the presentation of specialist reports, including environmental, engineering, economic and social impact assessments. The volume of assessment materials to be considered is often considerable, making the 20-day processing time difficult to comply with.

The mandatory 20-day processing time frame, with no proportionality for scale of project, is out of step with the average 40-day processing times allowed in the rest of the Western world. The review of the RMA may present an opportunity to reevaluate statutory timeframes or alternatively reduce the amount of duplicate peer review work that is currently required.

3. Support CHPs to meet their own objectives as well as the wider government goals

A criticism by the CHPs of the current funding mechanisms provided by government was that they do not necessarily reflect the objectives of the CHPs. The reliance on IRRS income perpetuates the poverty trap, due to the fact it maintains tenants in a state of high dependency rather than enabling a route out through for example, shared ownership schemes.

As noted in this report, CHPs work very closely with the communities they serve and provide more than just accommodation, but also wrap around support in locations that reflect the community's needs. Recognising and enabling the autonomy of CHPs to meet their own objectives would require government funding to be less directive. In addition, the lack of certainty around funding was also a major concern for CHPs, with many stating that capital grants should be widely available regardless of the CHPs size. The expansion of government bonds and patient capital also offer an opportunity to stabilise the funding source for CHPs.

4. Support for assisted homeownership schemes

Increasingly CHPs are trying to offer a range of housing options along the housing continuum, including homeownership schemes through shared equity schemes and rent to buy. The success of these scheme is very reliant upon the commercial banks in New Zealand recognising their value. Instructing banks to introduce assisted homeownership products or providing them directly from government would support CHPs with their objective of improving stability and long-term economic benefits to their clients.

5. Construction capacity and cost

The construction sector will reportedly reach its capacity in 2020. There are two methods for addressing this, firstly to increase the number of construction workers and secondly through supporting efficiencies. The Government announced the establishment of a of a 'Construction and Infrastructure Skill Shortage' list in 2018,

(New Zealand Immigration 2018). While this should increase the capacity, it is unclear by how much.

The technology to improve efficiency in the construction sector is already widely available but is currently under utilised by CHPs. The main reason for this is a concern that new technologies will be harder to consent and pose a greater risk to investment. Reducing the liability of new technology use could present a way to expand its use. Standardised consents for prefabricated affordable housing design could present a more streamlined approach to consenting. The Ministry of Business, Innovation and Enterprise contemplated this previously; however, an inability to decide where liability would lie prevented the idea gaining traction. Revisiting this opportunity considering the Building Act changes could be a way to incentivise its uptake.

In tandem to this growing New Zealand's prefabrication plants and building innovation will help to offer a feasible alternative to more traditional construction options.

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Appendix

Auckland Council Human Participant Ethics Committee Application

Participant Information Sheet

Project name: Unpicking the pipeline of construction and development. SRA 1 Making the architecture of decisions work for better town and cities

Principal researcher/s:

Jennifer Joynt RIMU

What is the aim of this research?

To better understand the housing construction development pipeline in New Zealand, including in Auckland. This work is part of a much broader review of the planning and construction sector being researched as part of NSC 11.

Who is being interviewed?

- *Community Housing Providers (minimum of six)*
- *Planning specialists x2 (Auckland Council)*

What will you be asked to do?

Discuss a recent housing development project completed in NZ, you will be asked to map out what you see as the construction pipeline using card prompts and explain their projected and actual timeframes for completion, and any barriers or drivers to the delivery of affordable housing along the pipeline.

The researchers function in this project is to get a full understanding of a development project timeframe. We are interested in all points along the construction pipeline, including but not limited to procurement, consenting, cultural sensitivities, financing and construction. It is acknowledged that the researcher may uncover findings that criticise the Auckland Council's processes or employees; the researcher would like to assure the participants that the purpose of this work is to be open and seek to address issues rather than apportion blame. The findings will be used both to inform the wider NSC project and to feedback advice to council where relevant improvements can be made.

What uses will be made of the data?

A photograph of the pipeline mapped out using card will be combined with the findings from other similar developers to give a generic view of the pipeline of affordable housing delivery. A semi structured interview will also be undertaken to prompt discussion about the development pipeline from the perspective of the developer. The transcribed interviews will be used to develop themes describing the development pipeline. The de-identified comments may be used as direct quotes in the final report.

If you have any questions, please feel free to contact the Principal researcher Jennifer Joynt at phone 021 508 152

or email jennifer.joynt@aucklandcouncil.govt.nz

This research has been reviewed and approved by the Auckland Council Human Participants Ethics Committee, Application 2017 - 010. If you have any concerns about the conduct of this research, please contact the Chair of the committee at hpec@aucklandcouncil.govt.nz.

Consent form for participants

Unpicking the pipeline of construction and development. SRA 1 Making the architecture of decisions work for better town and cities

Principal researcher/s: Jennifer Joynt

I have read the Information Sheet for this project and understand the purpose and content of the research. All my questions have been answered to my satisfaction and I know I can ask for more information at any stage. I also know that:-

1. The interview will focus on construction development pipelines;
2. My participation in the interview is entirely voluntary;
3. My responses will remain confidential:
 - a. My recorded responses will be transcribed using a transcription service (subject to a confidentiality agreement) the results will be used for analysis by the project team (Namely Jennifer Joynt).
 - b. I will not intentionally be personally identified or identifiable in any of the resulting publications.
4. I don't have to answer any questions I do not want to;
5. If I want to see a copy of the write up of my interview, or if I said something in the interview that I would like removed from the write, I will contact the researcher Jennifer Joynt on **021 508 152**;
6. Personal identifying information (such as transcribed interviews and audio files) will be password protected and securely stored for at least five years, after which it will be destroyed;
7. The results of the project will be published as a report delivered to CRESA independent research consultants, which will include the findings in a report to the funding body the National science Challenge. In addition, findings may be shared at conferences and/or published in an academic journal or technical report for Auckland Council.

I agree to take part in this project: (yes / no)

I agree to have this interview recorded: (yes / no)

I would like a summary of the final research report: (yes / no)

If yes, please provide an email address here:

Reuse of your data

The information you give us will be used for this research project as outlined in the Information Sheet. However, we would also like your permission to re-use your information for other research projects, provided that Auckland Council's ethics committee decides that you can't be identified, and the information will help you or others. If you prefer that your information is NOT made available for any other research project, please tick the box below.



I do not wish my data to be re-used for any other purpose besides this research project.

Name and signature of participant

Transcriber's Confidentiality Agreement (Sample)

Project name: Unpicking the pipeline of construction and development. SRA 1 Making the architecture of decisions work for better town and cities

Principal researcher/s: Jennifer Joynt

I _____ agree to maintain full confidentiality regarding all audio recordings and documentation received from Auckland Council related to their study of residential property amalgamation and aggregation. Furthermore, I agree:

1. To hold in strictest confidence the identification of any individuals or groups that may be inadvertently revealed during the transcription of recorded interviews, or in any associated documents;
2. To not make copies of any recordings or transcripts, unless specifically requested to do so by the principal researcher;
3. To store all project-related recordings and materials in a safe, secure location if they are in my possession;
4. To delete all electronic files containing recordings or transcripts from my computer hard drive and any backup devices once they have been provided to the principal researchers.

Transcriber's signature _____

Date _____

Interview Schedule- CHPS

Project name: *Project name: Unpicking the pipeline of construction and development. SRA 1 Making the architecture of decisions work for better town and cities*

Principal researcher/s: Jennifer Joynt

The interviews will be of a semi structured nature covering the following possible questions and activities:

Thank you for agreeing to be part of this study.

- To start please can you explain a little about your organisation, and how it contributes to the housing sector in Auckland?
- Can you talk about a case study development that has been developed recently?
- Was this a new build or conversion of existing property?
- Was this on greenfield or brownfield land?
- What was the original scope and scale for it?
- Could you please use the cards provided to write down the keys steps of the development and give an indication of how much time was allocated to each step prior to commencing. E.g. Land acquisition, planning, consenting, construction, materials?
- Now please write on the cards the actual time it taken for each step.
- Identify for each timeframe the key players in extending or minimising that gap.
- Did all the steps happen consecutively or were some simultaneous?
- What were the path dependencies in the timeline, which if any were delayed?
- What was the cause of the delay?
- How does your experience of consents in Auckland and outside of Auckland compare? What is the impact on quality?
- What role do the Auckland development rules have on good urban design outcomes?
- What was the impact of the delay?
- What is your view on development contribution?
- What suggestions could be made to address the issues you faced?
- What worked well and why did it?
- (If the developer has a portfolio of more than one development in Auckland), does the case study illustrate a typical or atypical example of the experience here, which bits were typical and vice versa?
- More generally what are your views on the role of gaps generated by different players including internal actors in development?
- Do you think there is scope for introducing new technologies in development- e.g. new building techniques, did you use them? If not why not, if yes how did it go?
- Are there any regional variations in construction timeframes, what do you see as the cause of them?

Penny Pirrit

Director of Regulatory Services

Auckland Council

Tēnā koe Penny,

I am writing to request an interview with some of your colleagues, to inform research being undertaken as part of the National Science Challenge 11 funded research project being undertaken in RIMU. The purpose of the project is to inform the ongoing debate about the under supply of affordable housing in Auckland, in particular through the perspective of the community housing sector. To date several community-housing providers (CHPs) have been interviewed at length about their experience of delivering affordable houses. One of the areas that all the CHPs, both inside and outside of Auckland, have commented on has been the role of consents in both enabling and constraining delivery. I am keen to gain an insight from the perspective of several senior managers and consent planners on their view of the consenting process for CHPs. I would also like to discuss the differences (if any) between the consenting process under the SHAs and under the AUP. I will require between 30 minutes and 1 hour for the interview and the interview will be recorded and transcribed. I would like to gain the views of 2-3 senior planners and 1-2 senior managers that have experience working with CHPs.

Participants should be the following:

1. Worked in resource consents from 2013 to now
2. Experience of planning in the SHAs
3. Experience of processing an application for a community-housing provider
4. Minimum of Senior/ Principal planner

I have attached a participant information sheet to be distributed to all participants and a consent form that details the project and how the data will be used and stored. This research has been reviewed and approved by the Auckland Council Human Participants Ethics Committee, Application 2017-010. If you have any concerns about the conduct of this research please contact the Chair of the committee at hpec@aucklandcouncil.govt.nz.

The findings of the research will be published as an Auckland Council Technical Report and will also inform the Community and Social Policy paper being prepared for Council Committee on affordable housing.

I would like to undertake the interviews at the participants' convenience in the next 4 weeks. Please can you forward this letter to any colleagues that you feel would be able and willing to assist in this project?

If you have any questions please do not hesitate to contact me.

Ngā mihi

Jennifer Joynt

Urban Researcher, RIMU, Auckland Council. Tel. +64 21 508 152

Participant Information Sheet

Project name: Unpicking the pipeline of construction and development. SRA 1 Making the architecture of decisions work for better town and cities

Principal researcher/s:

Jennifer Joynt RIMU

What is the aim of this research?

To understand the role of community housing providers (CHPs) in the housing construction development pipeline in New Zealand. Interviews with CHPs have already been undertaken and they have highlighted some perceived issues with the consenting system, which they believe is constraining their capacity to deliver affordable housing. The aim of interviewing representatives of Auckland Council is to determine whether their concerns are shared with planners, and to identify any potential improvements that could be made by the applicants or in the resource consent system.

This work is part of a much broader review of the planning and construction sector being researched as part of NSC 11.

Who is being interviewed?

2-3 Senior/ principal planners

1. Worked in resource consents from 2013
2. Experience of planning in the SHAs and/ or in the former Housing Project Office (HPO)
3. Experience of processing an application for a community-housing provider
4. Minimum of Senior/ Principal planner

1-2 Managers in operations and or resource consents if required

What will you be asked to do?

Talk about a resource consent you processed for a Community Housing Provider (repurpose or new build). Including describing the pre-application process, whether the application was complete, whether it was assessed under the HASHA legislation or not, whether it was notified or non-notified, the number and nature of any request for further information (RFIs), the use of external experts and consultants, the time it took to be processed and the outcome of the consent: granted etc.

You will also be asked about the consenting system you work with; whether you were involved in any consents granted under the HASHA legislation, and whether there were any system level actions from this period that you would like to see re-introduced and why. Your thoughts will also be sought on development contributions, fast track planning and inclusionary zoning.

The researchers function in this project is to get a full understanding of community housing development project timeframes. The rationale for involving Council planners is to gauge an internal perspective of the planning system. The aim of the project is that recommendations for systematic improvements can be made either within or outside of Council.

What uses will be made of the data?

The transcribed interviews will be used to develop themes describing the development pipeline for community housing providers. The de-identified comments may be used as direct quotes in the final report.

If you have any questions, please feel free to contact the Principal researcher Jennifer Joynt at phone 021 508 152 or email jennifer.joynt@aucklandcouncil.govt.nz

This research has been reviewed and approved by the Auckland Council Human Participants Ethics Committee, Application 2017 - 010. If you have any concerns about the conduct of this research please contact the Chair of the committee at hpec@aucklandcouncil.govt.nz.

Consent Form for Participants

Unpicking the pipeline of construction and development. SRA 1 Making the architecture of decisions work for better town and cities

Principal researcher/s: Jennifer Joynt

I have read the Information Sheet for this project and understand the purpose and content of the research. All my questions have been answered to my satisfaction and I know I can ask for more information at any stage. I also know that:-

1. The interview will focus on community-housing provider's engagement with resource consents and the wider Auckland Council resource consent system and Auckland councils planning rules. The interview will also gauge your opinion on the wider role of Community Housing Providers in delivering affordable housing for Auckland. Your views may also be sought on the government's role in addressing the affordable housing crisis.
2. My participation in the interview is entirely voluntary;
3. My responses will remain confidential:
 - a. My recorded responses will be transcribed using a transcription service (subject to a confidentiality agreement) the results will be used for analysis by the project team (Namely Jennifer Joynt).
 - b. I will not intentionally be personally identified or identifiable in any of the resulting publications.
4. I don't have to answer any questions I do not want to;
5. If I want to see a copy of the write up of my interview, or if I said something in the interview that I would like removed from the write, I will contact the researcher Jennifer Joynt on 021 508 152;
6. I will be able to withdraw any comments I made during the interview or fully withdraw from the project with one week of receipt of the transcript. After one week it will be assumed that I am satisfied with the transcript and my views can inform the research.
7. Personal identifying information (such as transcribed interviews and audio files) will be password protected and securely stored for at least five years, after which it will be destroyed;
8. The results of the project will be published as a report delivered to CRESA independent research consultants in the format of an Auckland Council Technical report and will also inform the Community and Social Policy paper being prepared for Council Committee on affordable housing.. The findings will also be shared at conferences and/or published in an academic journal.

I agree to take part in this project: (yes / no)

I agree to have this interview recorded: (yes / no)

I would like a summary of the final research report: (yes / no)

If yes, please provide an email address here: _____

Reuse of your data

The information you give us will be used for this research project as outlined in the Information Sheet. However, we would also like your permission to re-use your information for other research projects, provided that Auckland Council's ethics committee decides that you can't be identified and the information will help you or others. If you prefer that your information is NOT made available for any other research project, please tick the box below.

I do not wish my data to be re-used for any other purpose besides this research project.
Name and signature of participant

Interview schedule Planning Specialist Auckland Council

Project name: Unpicking the pipeline of construction and development

Part of the SRA 1 -Making the architecture of decisions work for better town and cities project, National Science Challenge 11

Participants should be the following:

- *Worked in resource consents from 2013- 2014 to now*
- *Experience of planning in the SHAs*
- *Experience of processing an application for a community-housing provider*
- *Minimum of Senior/ Principal planner*

Thank you for agreeing to be a part of this study.

1. Section 1: Case study

- a. I would like you to talk about a resource consent that you processed for a Community Housing Provider either repurpose or new build.
- b. What was the scale of the development, how many affordable houses were proposed, how many were consented?
- c. Was it notified or non-notified
- d. When was the first engagement with the applicant? Was this prior to submission of the consent?
- e. Describe the pre-app process was it typical? Were you the main point of contact for the applicant?
- f. Was the consent complete or did you require further information?
- g. How many RFIs did you require? Did you stop the clock for this? At what point in the statutory period did you RFI? Were the RFIs simultaneous or sequential?
- h. Did you require specialist input, was this available from within council or externally (consultant) ?
- i. Were you able to receive the information from other Auckland council specialist staff/ consultants to help you assess the consent in a timely manner?
- j. How long did the applicant take to respond to the RFI?
- k. Were the Auckland Design office involved? How?
- l. Did you request a bond for infrastructure upgrade/maintenance? How big was this? What was the rationale for the amount?
- m. Were there any covenants on the land? What impacts did that have?
- n. What were the path dependencies in the timeline, which if any were delayed?
- o. How big was the development contribution?
- p. Were any covenants put on the consent?
- q. Did the applicant object to any of your decisions? How was this resolved?

2. Section 2: System review

- a. Tell me about the statutory consenting timeframe; how often are they exceeded?
- b. Do external consultants expedite or slow the process of consent processing?
- c. What are the terms for the contracts with external planners? How do you manage statutory timeframe obligations when using external consultants?
- d. Do applicants get a single point of contact, if not all which applicants do? And why?
- e. Is it feasible to use one point of contact in council?
- f. On average how many applications do you have processing at any one time?

- g. Did you process any consent under the HASHA legislation? What were the positives and negatives about the HASHA and SHAs in general
 - h. The SHAs aimed to streamline planning, did they? If not why not and if so how?
 - i. What (if anything) would you like to see from the HASHA legislation model reintroduced to the consenting system?
 - j. What was the rationale for the removal of this recommendation?
 - k. What is your view on development contribution? Is there an alternative you could suggest?
 - l. What are your views on inclusionary zoning planning policies?
- 3. Summary thoughts**
- a. What suggestions could be made to address the issues you face in your role
 - b. What further role should **Council** have in enabling the development of affordable housing?
 - c. What further role should **Government** have in enabling the development of affordable housing?

Find out more: phone 09 301 0101, email rimu@aucklandcouncil.govt.nz or visit aucklandcouncil.govt.nz and knowledgeauckland.org.nz