Greater Christchurch Housing Action Plan

Indicative Economic Assessment

Prepared for Greater Christchurch Partnership

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Formative

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1 Introduction

The Greater Christchurch urban (GCU) area has experienced high growth in the past decade, with population and economic growth significantly exceeding projections. Over this period, while there has been a growing number of new dwellings being built, the sale prices (and rents to a lesser extent) have increased rapidly, which has resulted in worsening housing affordability for the community.[1]

In early 2024 the Greater Christchurch Partnership (GCP) councils endorsed the Greater Christchurch Spatial Plan (GCSP), which aims to enable sufficient development capacity to accommodate future growth within the GCU area as required by the National Policy Statement on Urban Development (NPS-UD).[2]

The GCP concurrently committed to tackling rising housing affordability through the endorsement and subsequent adoption by the partnership councils of the Joint Housing Action Plan (JHAP).[3] This commitment recognises that the adverse social and economic outcomes of insufficient, inappropriate, inadequate and unaffordable housing are apparent in GCU area and that this problem can only be tackled collectively. Intervention in the market is needed, if a different and better outcome is to be achieved. The GCP is investigating policy levers and resources that could be used to improve the provision of affordable housing in the GCU area.

The GCP has commissioned Formative Limited to conduct indicative research on the potential policy options, with a focus on the social and economic outcomes that could be expected to result from the use of those mechanisms. This report presents findings that relate to Phase 1 of the JHAP which is an indicative investigation of potential policy options that could be applied to encourage the development of more affordable housing.[4]

GCP intends to use the outputs from this assessment and other research[5] to investigate the costs and benefits associated with each of the policy options to establish a preferred approach, to be progressed to Phase 2 for detailed assessment.

Finally, this research has been conducted during a time of significant policy changes that are still to be confirmed which could impact affordability outcomes in GCU (i.e. central government Going for

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[1] Corelogic (2024) Housing Affordability Report, Quarter 2.
[2] Greater Christchurch Partnership (2023) Greater Christchurch Spatial Plan.
[3] Greater Christchurch Partnership (2023) Joint Housing Action Plan.
[4] Greater Christchurch Partnership (2023) Joint Housing Action Plan – Phase 1: Actions 3, 4 and 5 investigations.
[5] Greater Christchurch Partnership (2023) Joint Housing Action Plan – Phase 1: Actions 1, 2 and 6, 7, 8 investigations.

Housing Growth Programme[6], other changes to the national planning framework[7], changes in Kāinga Ora's role[8], and City Deals[9]).

1.1 Background

The affordability of dwellings has become a widespread issue in the western world, with most large metropolitan cities in Europe, North America, Australia, and New Zealand experiencing rapid rises in the costs of dwellings relative to growth in household incomes over the last decade.[10]

Christchurch has not been immune to this international trend, with dwellings becoming less affordable over the last decade. However, the change in affordability that has been observed in Christchurch has not been as severe as the other metropolitan cities in New Zealand (Auckland, Wellington, Hamilton, Tauranga) or Australia (Sydney, Melbourne, Brisbane, Perth, Brisbane, Adelaide, Canberra).[11]

The 'housing crisis' has resulted in consecutive governments implementing a range of policy changes which have been intended to alleviate the issue. This includes policies that influence both demand and supply to:

- direct intervention to provide new supply (Special Housing Areas, Kiwibuild, Kāinga Ora, Covid19 Fast track, etc).
- encourage private and non-government developers to provide more supply (infrastructure funding, income related rent subsidy, capacity service agreements etc.).
- order enquiries into banking, building sector, migration, and housing affordability (Reserve Bank, Commerce Commission, Productivity Commission).
- require councils to monitor and change local plans to provide more capacity for development activity (two National Policy Statements, Enabling Housing Supply Act, Going for Housing Growth, Resource Management Act reform, etc.).
- encourage demand for affordable dwellings (Kiwisaver drawings, allow interest deductibility for new build rentals, etc.).
- discourage demand for dwellings (restrict foreign investors, ringfencing losses on rentals, bright line capital gains rule, loan to value ratio, debt to income ratio, etc.).

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[6] New Zealand Government (2024) Going for Housing Growth stage one unveiled, press release 4 July.
[7] New Zealand Government (2023) NBA and SPA successfully repealed, press release 20 December.
[8] New Zealand Government (2024) Minister responds to review of Kāinga Ora, press release 20 May.
[9] New Zealand Government (2024) Regional Deals framework announced, press release 22 August.
[10] Centre for Demographic and Policy (2024) Demographia International Housing Affordability
[11] Corelogic (2024) Housing Affordability: The income Kiwi families need to conformably buy a new house in Australia vs NZ.

There are also a range of other policies that influence demand and supply for dwellings, such as migration, monetary policy, building codes, etc. Non-market providers of housing including non-government Community Housing Providers (CHPs) also have an important role in meeting the needs of the most vulnerable households in the community.

The volume of policy changes that have been implemented over the last decade which relate to dwelling demand and supply shows how significant the 'housing crisis' issue is for the government and local communities. It also shows that there are many facets to the issue and that it will not be solved by any single policy in isolation.[12]

The GCP and the partner councils have limited policy levers, which means that the implementation of a Spatial Plan, in and of itself, cannot be expected to solve the 'housing crisis' but can contribute to alleviating the problem by ensuring there is no shortage of opportunities for development of dwellings to meet housing needs which would continue to maintain downward pressure on the market. However, it is unlikely that the market will provide sufficient affordable housing under the policy framework[13] and that further intervention would be required to meet the needs of the community.[14]

1.2 Scope

The GCP process for the JHAP is to first undertake an investigation with indicative assessment (Phase 1), followed by detailed research once a package of policies are chosen (Phase 2 and beyond). The results from Phase 1 will be presented to GCP Partnership Committee, which will consider the options and decide which policy options should be progressed to Phase 2.

This report forms part of Phase 1, and the focus of this report is to provide an investigation of the range of policy options and the affordability outcomes associated with the implementation of these options. This research is an indicative assessment, which is designed to allow an assessment of a wider range of options without needing to undertake detailed assessments.

Formative has been tasked with investigating the following three actions in the JHAP:

3. Investigate the introduction of inclusionary zoning by all three Councils to collectively increase the supply of social and affordable rental housing.
4. Investigate and test incentives to develop affordable housing (e.g. density bonuses, local government funding for CHPs, rates concessions for CHPs, planning concessions for CHPs).

[12] OECD (2019) Improving well-being through better housing policy in New Zealand.
[13] Independent Commissioners (2024) Plan Change 14 Recommendations Report – Part 1, paragraph [146].
[14] Community Housing Aotearoa (2020) Greater Christchurch Partnership Social and Affordable Housing Action Plan Report.

5. Investigate expanding Christchurch City Council's (CCC) development contribution rebates for social housing to all councils. Investigate extending this to include social, affordable rental and progressive home ownership.

For this Phase 1 report the following key tasks have been undertaken:

- A review of the research collated to date by the partnership, other domestic and international research to establish the range of policy options available for use by the Councils, and their potential impacts.
- Define the policy options that encompass the range of alternatives that could be implemented by the GCP.
- Assess the affordable housing implication of each policy option to provide an indication of the potential benefits associated with implementation of each option.
- Assess the wider implications of the policy options including housing market impacts (i.e. competition, sale prices, feasibility, affordability), social impacts and other impacts.
- Compare the policy options to establish recommendations on the relative merits of the options.

1.3 Structure

This report is structured into six subsequent sections, as follows:

- Section 2 discusses the findings of the review of affordability research.
- Section 3 defines the policy options that are assessed in the remainder of the report.
- Section 4 quantifies, where possible, the affordable housing outcomes associated with the different policy options.
- Section 5 qualitatively discusses the wider impacts associated with each policy option.
- Section 6 provides the findings of the research, which provides an indicative assessment of the net outcome, for the community as a whole.

2 Housing affordability review

The first step in this study was to undertake research on the key aspects of the housing market in relation to housing affordability policy. The existing research is important as it provides a baseline from which the aspects of housing affordability can be analysed and forms the basis from which the potential policy options are defined to address the problem.

This section of the report draws on existing research that has been completed by the GCP councils and other researchers, to establish a practical and theoretical understanding of the aspects of the housing market that are important for dwelling affordability. In this section the concepts of the housing continuum and housing needs are firstly covered, within the context of the GCU area, and the three actions that are the focus of this report are then discussed: inclusionary zoning, incentives to develop affordable housing, and development contribution rebates.

2.1 Housing continuum and housing needs

Households live in a range of different types of dwelling arrangements, which include both market and non-market alternatives. There is also a range of tenure types, including emergency housing, transitional housing, public/social housing, affordable rentals, assisted home ownership, assisted home ownership, market rental, and market home ownership. For this report the term 'affordable housing' is used to encompass supported, public, social, affordable rentals, and assisted home ownership but excludes market rentals or market home ownership.

Figure 2.1: Housing continuum – emergency, public/social, assisted, and market[15]

Source: Kāinga Ora – Our Housing Programmes

Each housing option along the continuum requires different levels of resources, with most households being able to afford market options, while some households need to be assisted, and a small number need direct support. The public and social housing providers target their provision of dwellings to lower income households which need direct support.

[15] Kāinga Ora (2021) Our Housing Programmes.

This means that any assessment of affordability needs to also include the full continuum of housing options, as public and social houses are a critical component of the housing options that will be available to lower income households, whom have the most pressing housing needs. A focus purely on market provided dwellings, either for sale or rent, would not provide an accurate picture of the situation.

Based on the most recent available data it is possible to estimate the housing continuum for the GCU area in 2024:

- **Emergency**: there were 511 transitional[16] and 186 contracted emergency housing units[17]. This means that 0.3% of households were accommodated in emergency housing, and a further 1,746 applicants or 0.8% of all households that were on waiting lists to enter this housing.
- **Public/Social Housing**: there were 10,363 public and social houses owned or leased by Kāinga Ora[18] and registered CHPs (Ōtautahi Community Housing Trust (ŌCHT) is the largest provider)[19]. This means that 4.7% of households were accommodated in public or social housing.
- **Assisted Rental**: there were 32,790 recipients of an accommodation supplement.[20] This means that around half the households that rent a house received assistance via the accommodation supplement. In total 15% of all households were accommodated in assisted rentals.[21]
- **Assisted Ownership**: there is no publicly available data on the number of households that receive support to ownership in the GCU area. However, based on the small number of assisted living schemes it is likely that a small share of households that own their house receive assistance from the government.[22] It is estimated that less than 1% of households have made use of assisted ownership.

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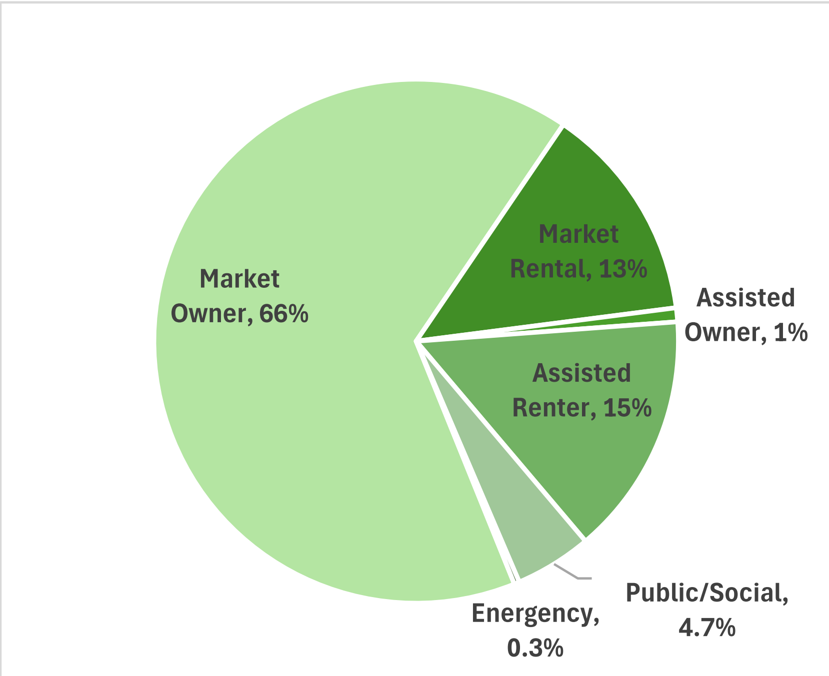
[16] Ministry of Housing and Urban Development (2024) Public Housing in 30 June 2024 Christchurch, Selwyn and Waimakariri.
[17] Ministry of Social Development (2024) Emergency Housing Monthly Report, June.
[18] Ministry of Housing and Urban Development (2024) Public Housing in 30 June 2024 Christchurch, Selwyn and Waimakariri.
[19] ŌCHT also leases dwellings owned by CCC which are not captured within the Ministry of Housing and Urban Development data. Data has been sourced from ŌCHT to provide a full understanding of social housing provided by CHPs.
[20] Ministry of Social Development (2024) MSD Support Monthly Report, June.
[21] Those in Kāinga Ora housing or who are tenants of registered CHP are not eligible for Accommodation Supplement, but can instead receive the Income Related Rent Subsidy.
[22] The First Home Grant was discontinued in May 2024, however over the last year 1,852 grants were paid in GCU area. Also, there is a small number of progressive home ownership schemes in GCU area, Habitat for Humanity, Ōtautahi Community Housing Trust, and Te Rūnanga o Ngāi Tahu with 27 dwellings contracted.

- **Market Rentals**: after accounting for public/social and assisted rentals it is expected that around 13% of households were accommodated in market rentals[23].
- **Market Housing Ownership**: it is estimated that owner occupiers account for 66% of households[24]. There is limited assisted home ownership in GCU area, with most of the home ownership being market and a small number supported, which means that around 66% of households are likely to live in a market house that they own (with or without a mortgage).

Figure 2.2: Distribution of housing continuum 2024 – emergency, social, assisted, and market



The latest data indicates that more than 80% of households in the GCU area are living within a market based dwelling (either owning or renting), while 20% live in non-market houses (emergency, public/social or assisted). However, some of the households that live in market rentals will be paying a large share of their income towards rent and therefore may be financially stressed.

The most recent housing needs assessment conducted for the GCP suggests that around 40,000 households in the GCU area have unmet housing needs in 2024.[25] This includes households in emergency, public/social, and renters living with financial stress[26], or around 18% of households which is broadly consistent with the data shown in Figure 2.2. However, this need will potentially increase in the future if the difference between income growth and housing costs continue to diverge as they

[23] Livingston and Associates Ltd (2021) Housing Demand and Need in Greater Christchurch.
[24] Livingston and Associates Ltd (2021) Housing Demand and Need in Greater Christchurch.
[25] Livingston and Associates Ltd (2021) Housing Demand and Need in Greater Christchurch.
[26] Renter housing stress is defined as those households that are paying more than 30% of their gross household income in rent.

have in the past. The GCP housing needs assessment suggests that housing need may increase to 45,600 households or almost 19% by 2034. This housing need could be reassessed once the Census 2023 data becomes available in 2025.

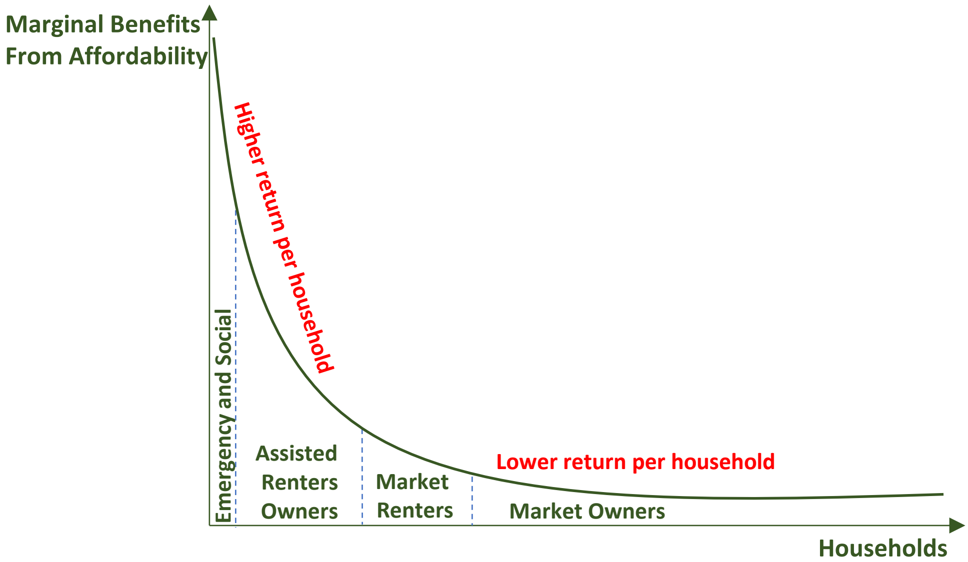
Also of importance is that the marginal benefits associated with improved affordability will tend to be greater for households that have lower incomes and who are generally on the left side of the housing continuum (Figure 2.3). While there is no publicly available research for Christchurch on the relative merits of interventions along the continuum there has been instances where government departments have used Treasury CBAx tool[27] to estimate outcomes from emergency housing investment[28], urban regeneration developments[29], and affordable housing policy options[30]. This research suggests that at the national level the societal benefits[31] associated with intervention could be double the investment costs associated with providing more public or social housing. Importantly, the non-market outcomes that accrue from investment in public and social housing are likely to be sizeable compared to the financial investment.[32]

This outcome is similar to international economic research, as an example in Australia it was estimated that the societal benefits associated with providing more emergency housing for homeless can be three times the investment[33], and the societal benefits associated with the provision of public and social housing can be double the investment[34].

While all households could benefit from changes in affordability there is a greater need and hence higher return from focussing direct interventions towards the households on the left of the continuum (either emergency, public, or social housing). As many lower income households live within non-market dwellings it is expected that changes in affordability outcomes for these households will be driven by policy decisions made around this part of the continuum. Specifically, if the government or council intervene in the market to build more non-market housing or provide greater assistance, then affordability outcomes for lower income households could be greatly improved (i.e. a high return per household influenced).

[27] The Treasury (2023) Guide for departments and agencies using Treasury's CBAx tool for cost benefit analysis.
[28] Ministry of Housing and Urban Development (2022) Supporting the reset and redesign of the emergency housing system.
[29] Te Aranga Alliance (2020) Eastern Porirua Community Regeneration Single Stage Business Case.
Kāinga Ora (2021) Mt Roskill and Oranga Precincts.
[30] Ministry of Social Development (2016) Expanding Housing First – IRRS.
[31] Health benefits, education, employment, transport, community cohesion, safety, etc.
[32] Kotata Insight (2020) Valuing Wellbeing Outcomes Cost-wellbeing analysis of housing outcomes in the New Zealand General Social Survey.
[33] SGS Economics and Planning (2017) The case for investing in last resort housing.
[34] SGS Economics and Planning (2022) Give me Shelter: The long-term costs of underproviding public, social and affordable housing.

Figure 2.3: Marginal benefits from affordability by housing continuum



Conversely, attempts to influence the market outcomes in the continuum, in terms of market sale price or rents, are likely to mostly impact households on medium or high incomes, who for the most part have less of an affordability issue than lower income households (i.e. a low return per household influenced). Moreover, while the GCP councils have recently adopted enabling planning frameworks which could encourage more market-based housing, this is unlikely to assist in the supply of affordable housing for the neediest low income households.

The JHAP actions 3, 4, and 5 are focused on encouraging more affordable housing via non-market providers (CHPs), which is where the most need exists and the highest return (societal benefits) from intervention are likely to exist. However, there will be a point at which the net impacts of providing more affordable housing may not be positive, meaning that GCP councils need to careful to balance the provision of affordable housing to ensure that the marginal costs of an additional affordable house provided do not exceed the marginal benefits that accrue from that provision. This issue can be examined in the Phase 2 to research to ensure that the policy options are defined to maximise the net outcome for the community.

2.2 Action 3: Inclusionary zoning

The purpose of the JHAP's Action 3 is to investigate the introduction of inclusionary zoning by all three councils to collectively increase the supply of social and affordable rental housing.

The term "*inclusionary*" is used to convey that the policy is aimed at countering the practical outcomes in the urban area, whereby zoning rules result in the exclusion of low-cost housing from the market. Broadly, planning requirements on build quality, build size, setbacks, height limits, carparking, outdoor living space, infrastructure contribution, etc can result in the minimum quality housing in a zone to be costly for the market to construct, and hence unaffordable to lower income households.

This outcome can effectively exclude the less affluent part of the community from the housing market. Moreover, the households that can afford to live in the community can benefit from the exclusionary aspect of the planning rules as they enjoy an environment that has greater amenities (both physical aspects and intrinsic character) than would otherwise be the case if the planning requirements were relaxed.

Therefore, in some jurisdictions a requirement to provide affordable housing is included when consenting developments or alternatively a funding contribution is charged to allow the government to provide affordable housing.

Generally inclusionary zoning applies to a share of new construction which is in turn a small fraction of the existing housing stock. Therefore, the burden of the policy tends to accrue to developers and new households that purchase new housing, although in theory many of those new households are nearer the right-hand side of the continuum, and able to afford to pay some contribution to assist in the provision of affordable housing.

In the New Zealand context, the use of inclusionary zoning has been rare. The most well-known use of this policy option has been in Queenstown Lakes District, which has applied an inclusionary zoning policy since 2003.[35]

Until recently, Queenstown Lakes District Council (QLDC) had an inclusionary zoning policy that applied to new greenfield developments. QLDC negotiated with developers on a case-by-case basis to establish an agreed contribution and historically established a voluntary contribution rate of 5% of lots transferred to the Council. Then under the Housing Accord and Special Housing Areas Act 2013 the inclusionary zoning policy was applied for Special Housing Areas which were required to provide 5% of their housing yield as affordable homes. Finally, in 2018 the contributions were increased to 10% and extended to allow developers to provide cash, lots or lots and house packages.

The application of the inclusionary zoning policy was mainly to land that was up-zoned from rural to urban land use. In these cases, there was a significant increase in the value of the land which benefited the developer, and the inclusionary zoning policy only had a modest impact on financial returns.[36]

In 2022 QLDC proposed a new policy (Inclusionary Housing Variation) which was intended to formalise the existing policy to make it compulsory. The new policy would have applied to most residential

[35] Queenstown Lakes District Council (2023) Inclusionary Housing Plan Change, press release February.
[36] Sense Partners (2022) The economic case for Inclusionary Zoning in QLDC.

developments (including brownfield[37]). Broadly, the policy would mean that developers would be required to provide 5% of the subdivided lots of land (or funds equivalent to sale price) or 2% of the dwelling sale price. That Variation was withdrawn by Council on 22 August 2024 because Independent Hearing Panel was not satisfied that the policy was the most efficient and effective way of achieving its objectives. This means that there is no longer any council in New Zealand with inclusionary zoning policy.

The rationale behind inclusionary zoning is to allow the collection of funds to enable intervention in the market to provide affordable housing because this type of housing is effectively excluded from the urban environment as a result of the interaction between planning rules and market development feasibility. This issue is generally most prominent in greenfield areas where development is focussed on providing larger lots sizes and bigger dwellings which tend to be unaffordable for low income households. However, this outcome can also occur in brownfield areas, especially in the older suburbs that have additional protections which may discourage development (heritage, character, height, etc) and thus effectively exclude the development of affordable housing.

The application of inclusionary zoning can result in an increase in the cost of building housing as developers are required to pay an additional fee in the development process. This cost may be passed on to the households and hence have an impact on the affordability of new housing for the wider community (i.e. those who are on the right side of the continuum, who rent or own dwellings in the market). Also, in some instances developments will no longer be commercially viable as the developers may not be able to pass on the full costs of the inclusionary zoning.

The implications in terms of price increases or reduction in dwelling development will depend on the competition in the market and demands of the households that can afford dwellings produced by the market. First, economic literature shows that the demand for housing is general inelastic with respect to price, which means that a change in price results in a smaller change in quantity demanded.[38]

Second, in terms of competition and supply, economic literature shows that housing supply is elastic, which means that a change in price results in a larger change in quantity supplied.[39] Broadly, across most of the main urban areas in New Zealand there has been a considerable increase in prices and the market has responded by increasing development activity. The most recent research shows that housing shortages have eased considerably and in Canterbury there is an estimated housing surplus.[40]

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[37] If subdivision of less than 20 lots then 5% of lot sales price or 2% of sales value of additional dwellings. If greater than 20 lots then 5% of serviced lots to transferred.

[38] Motu Economic and Public Policy Research (2019) Housing markets and migration – Evidence from New Zealand.

[39] Motu Economic and Public Policy Research (2019) Housing markets and migration – Evidence from New Zealand.

[40] NZIER (2023) Assessing housing shortages in New Zealand.

It is likely that the housing market in GCU area will be relatively competitive, which means that most of the increase in costs caused by an inclusionary zoning policy would be passed on via increases in sale prices and there would be limited reduction in development activity.

In GCU area it is likely that demand for housing is inelastic and housing supply is elastic, which means most of the impact of the inclusionary zoning policy will be on sales prices in the market and less reduction in market development activity.

Also, to some extent the potential reduction in market development activity may also be offset by the affordable housing provision enabled by the inclusionary zoning policy. This outcome is commonly referred to as the crowding out effect, whereby government policy (i.e. tax and then investment in affordable housing) could drive down market activity. This aspect of the inclusionary policy would need to be considered to ensure that the provision of affordable housing is commensurate to the level of housing need.

However, it is likely that house prices within the market will increase to some extent and that market development continues. Broadly, middle and high income households which purchase market housing would face higher prices for their housing but for the most part they will still be able to afford the dwellings that are being developed. Currently, the development market is not providing new affordable housing so the net impacts of the policy on the affordability for low income families could potentially be positive, assuming that inclusionary zoning funding allows the CHPs to provide more affordable housing.

Inclusionary zoning has been adopted in many urban areas in Australia, United Kingdom and America with contributions ranging from 10% to 30% of development.[41] However, it may be that the share of contributions collected in these urban areas reflect the larger role of local government and/or limited role of federal government in providing affordable housing for the community.

This compares to New Zealand, where the majority of the provision of affordable housing has been managed by central government (Kāinga Ora) and non-government (CHPs), with a comparably small role for local council.[42] If inclusionary zoning policy with a contribution of 10-30% of development was adopted in GCU area then it would result in a large shift in the management of affordable housing. If this level of contribution was adopted, then GCP councils would collect sufficient funds to potentially allow CHPs to build thousands of affordable houses each year which would represent a large share of total development activity and result in the CHPs having a much larger role in the provision of housing. This level of intervention has not been assessed in this report, and given the scale it would likely need to be considered in the context of the national policy.

[41] Australian Housing and Urban Research Institute (2018) Planning mechanisms to deliver affordable homes.
[42] Albeit, that CCC has had a significant role which is unusual in the New Zealand context.

2.3 Action 4: Incentives to develop affordable housing

The purpose of Action 4 of the JHAP is to investigate and test incentives to develop affordable housing. The examples that have been investigated in this research are density bonuses, targeted rates, local government support for CHPs, rates concessions for CHPs, and planning concessions for CHPs.

2.3.1 Density bonuses for CHPs

In some jurisdictions a development bonus has been used to create incentives to encourage private developers to include public good outcomes in their developments (including affordable housing). As an example, if the developer includes a certain share of dwellings that are affordable then they may be allowed to build more densely or to a greater height, than is allowed within the zone. This type of incentive is relatively rare in New Zealand.

Within the GCU area there is limited potential for this type of incentive to be applied because the planning framework already provides for density that is much greater than what exists or is likely to be developed in the coming decades within most of the urban area. Importantly, under the current legislation all residential zones within the Urban Environment are required to have Medium Density Residential Standard (MDRS) as a minimum[43] and there are also intensification requirements within the NPS-UD for Commercial Centres and higher density within a walking distance of the larger centres/rapid transport[44].

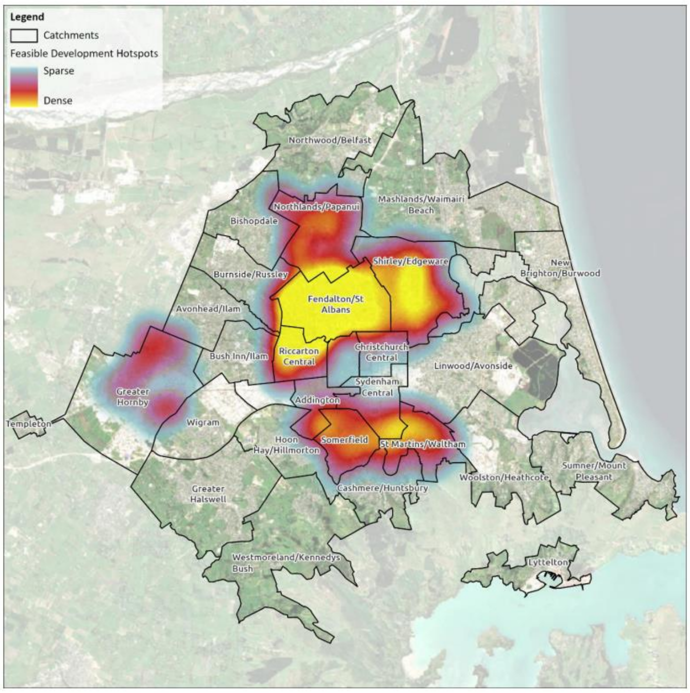
Firstly, the MDRS standard allows three dwellings up to three levels on residential sites, which means a density of up to 50-60 dwelling per hectare of land could theoretically be achieved (Figure 2.4). The MDRS had immediate legal effect and applies to most of the residential land (greenfield and brownfield) in Selwyn[45], is soon to be adopted in Waimakariri[46] and is recommended to apply to much of the urban area of Christchurch[47].

[43] Enabling Housing Supply Act 2021.
[44] National Policy Statement on Urban Development 2022, Policy 3.
[45] Partially Operative Selwyn District Plan 2023: Rolleston, Prebbleton and Lincoln.
[46] Variation 1 Waimakariri District Plan 2024: Rangiora, Kaiapoi, and Woodend/Pegasus.
[47] Plan Change 14 Commissioner Decision 2024: includes recommendations on MDRS.

Figure 2.4: Example MDRS Density – 1-31 Wyndham Mews, Rolleston

For most of the residential land within the GCU area the market is currently achieving densities much lower than permitted by the MDRS. Moreover, the modelling of feasibility conducted for NPS-UD suggests that MDRS densities are not likely to be achieved by the market in the coming decades within most of the GCU area (see Figure 2.5).[48] Therefore, it is likely that a density bonus within most of the residential zoned areas of the GCU would not have a material impact on developer decisions and hence have limited potential to incentivise the provision of affordable housing.

Figure 2.5: Heat map of medium density residential feasible capacity



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48 Formative (2023) Selwyn Capacity for Growth Model 2022.
Formative (2023) Waimakariri Capacity for Growth Model 2022.
The Property Group (2022) New Medium Density Residential Standards (MDRS) Assessment of Housing Enabled.

CCC has completed a planning process (Plan Change 14) to implement the intensification requirements of the NPS-UD, which required the council to increase height limits in the commercial zones and to provide High Density Residential (HDR) up to 6 levels within walking distance of the CBD, Metropolitan Centres and rapid transit stops. Plan Change 14 decision was released 30 July 2024 and some aspects of the decision will be considered by Council on the 4 September 2024.[49]

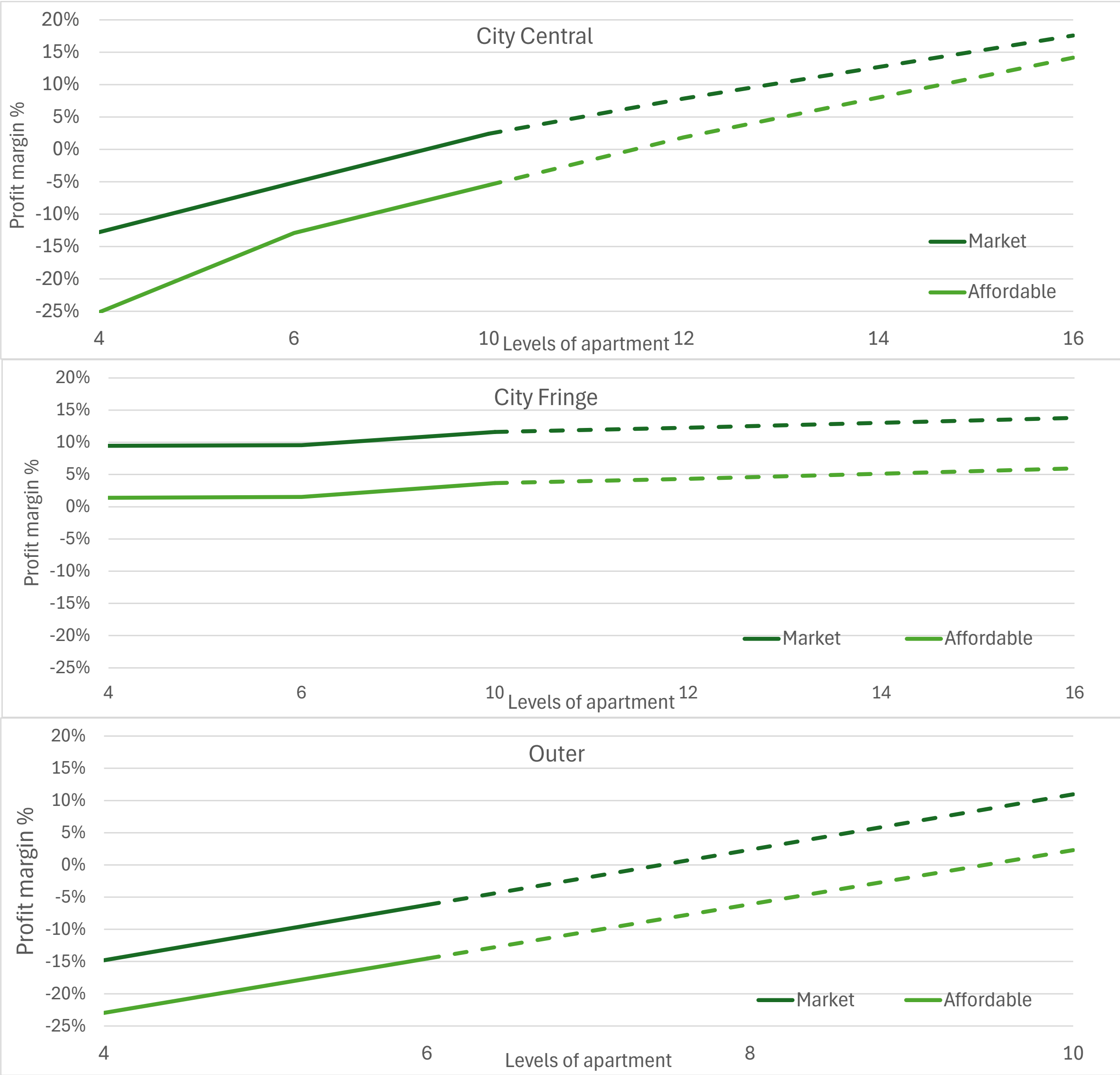
The increases in density enabled by Plan Change 14 are also large and for the most part the market is unlikely to achieve the densities or heights enabled within the commercial or HDR zoned areas. However, the feasibility assessment undertaken for PC14 indicates that residential apartments become more feasible as development height increases.[50] Also that apartments that are affordable are not being delivered in Christchurch and there is a shortfall of affordable housing in the Central City.[51] In the modelling, residential apartment development in the CBD of 10 levels was estimated to have a small positive profit margin (2.4%), but that affordable apartments were not profitable (loss of -6%). In the CBD fringe the residential apartments with 10 levels have a larger profit margin (12%) and affordable apartments become profitable (4%). In the Outer commercial and HDR zone areas neither the market or affordable apartments generate a positive profit. Broadly, the assessment indicates that there is a positive relationship between residential apartment height and profit margin.

ŌCHT has investigated the development of residential apartments to provide affordable housing.[52] However, these projects were not feasible because of the costs of lifts, services, and other construction costs which meant that it would have been too costly relative to the rents received from affordable housing. They consider that feasibility of affordable housing may occur at heights above 6 levels.

To illustrate this point, Figure 2.6 shows the commercial feasibility estimates from the PC14 research for the three areas (City Central, City Fringe and Outer), for market and affordable housing (solid lines in the graphs). A linear extrapolation of the profit margins is shown for levels above those tested, i.e. 12-16 levels. The figure shows that the development of market apartments could become commercially viable (i.e. attain a sufficiently positive profit margin) if development height is increased. Also that affordable apartment development also become viable (i.e. a positive profit margin for CHP).

[49] Christchurch City Council (2024) Council to request more time for Plan Change 14 decisions, press release 21 August.
[50] The Property Group (2022) High Density Residential Feasibility Assessment.
[51] Christchurch City Council (2021) Central City Residential Programme (Project 8011): Supporting alternative housing approaches and projects.
[52] Ōtautahi Community Housing Trust (2024) Interview, data and information.

Figure 2.6: Residential apartment feasibility – City Central, City Fringe, and Outer (Market and Affordable)



While it is beyond the scope of this research to assess feasibility, there is potentially a point at which the height of apartment developments could be increased to incentivise the development of both market and affordable apartments in the commercial zones and HDR zone. Currently under the planning framework it is likely that most apartment developments within the commercial zones and HDR zone will tend to be premium/market and not affordable to most of the community. As an example, CCC staff have recommended in the past that investigations be undertaken with developers to establish the optimal framework that could encourage affordable developments within central city[53], and these ongoing investigations could be extended to other HDR areas in Christchurch.

[53] Christchurch City Council (2020) Christchurch Momentum Committee - Central City Residential Programme. Supply and demand for homes in the Central City; incentives and other mechanisms.

Nevertheless, there could be an opportunity to encourage the development of affordable apartments by enabling more height within some of the commercial zones and HDR zone via providing a height bonus - that allows developers to increase height over the District Plan maximum, if the development includes affordable housing.

Also, there is potential for additional development intensity to be encouraged along existing public transport corridors or near future Mass Rapid Transit stops.[54] In these locations there may be opportunities for the GCP to encourage more affordable development via density bonuses which could be investigated further.

2.3.2 Targeted Rates

Local governments are allowed to charge rates to cover the costs of the provision of services for the community. Rates are collected from the entire community, which means that funding for the provision of affordable housing could be collected using a low rate per household.

The Local Government (Rating) Act 2002 allows councils to collect rates from the community as a general rate (s13), uniform general rate (s15), or a targeted rate for a specific purpose (s16). The first two rates option are used by councils to fund general activities and represent most of the activities undertaken by councils. The targeted rate option tends to be more specific and tied to a particular activity or geographic location.

For example, CCC has a targeted rate of $6.52 per separate dwelling to cover the rebuild of the Cathedral. This funding was calculated to cover the costs to CCC which are directly associated with the Cathedral rebuild, and which is ringfenced for this purpose. This ensures that the funding is used only for the intended activity and also meets the identified need.

While the GCP councils could use general rates or uniform rates to provide funding for more affordable housing, this would run the risk that not enough funding is collected to meet the needs or alternatively that funds collected for affordable housing is diverted to other activities.

The use of a targeted rate that is specifically calculated and tied to affordable housing provision would mean that the councils would have to provide a funding impact statement on the issue (s16(1)). This would encourage debate about the role of the councils in the provision of affordable housing. Currently no other council in New Zealand has adopted a targeted rate for affordable housing.

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[54] QTP, Boffa Miskell, Aurecon, WSP (2024) Christchurch Mass Rapid Transit Early DBC Investigations.

2.3.3 Council support for CHPs

Another available policy option would be for the GCP councils to increase their support of the CHPs. This could be either via providing additional funding, land, or access to loan facilities, which could result in more affordable housing being supplied within GCU area.

As an example, CCC was the first local authority in Aotearoa New Zealand to provide social housing and has been providing affordable accommodation to low-income residents of Ōtautahi Christchurch for over 80 years.[55] In 2016 CCC established ŌCHT as a charitable trust which manages the Council's social housing portfolio.[56] Crucially, ŌCHT (as a CHP), unlike the Council, is able to access the Government's Income-Related Rent Subsidy (IRRS) which allowed ŌCHT to receive income equivalent to market rents.[57]

CCC Housing Accord commitments required it to capitalise the Trust with $50m of assets (land and buildings). The Council resolved that the $50m would comprise $5m of gift and $45m as an interest free loan only to be repaid to Council in the event of the Trust winding up.

Also the Trust has a $55m development loan agreement with CCC.[58] The interest on the loan is set by reference to the council Local Government Funding Agency debt costs, which is considerably lower than either the interest rates offered by commercial banks or other financers.[59] This allows the trust to borrow at a much lower interest rate than the market rate, which means that it can develop housing which is more affordable.

Selwyn District Council (SDC) and Waimakariri District Council (WDC) have not directly supported CHPs via funding, land, or access to loan facilities. Historically, Selwyn and Waimakariri have had very high levels of private home ownership and limited supply of social housing. The GCP research clearly identified that despite a relatively high home ownership rate, the number of households facing 'housing stress' has been increasing in recent years and is likely to continue to steadily increase over time.[60] The research also highlighted unmet housing needs which were likely to create significant hardship if left unaddressed.

WDC adopted a Housing for the Elderly Policy in 2016, and the Council currently owns and operates 112 elderly housing units.[61] In 2023 the Council released a draft housing policy for consultation and is

55 Christchurch City Council (2021) Community Housing Strategy.
56 Ōtautahi Community Housing Trust (2024) Consolidated Financial Statement.
57 The Ministry of Housing and Urban Development (HUD) pays an Income-Related Rent Subsidy (IRRS) to registered housing providers to cover the balance between the tenant's rental payment and the market rent for the property. However, IRRS is under review and new applications for new funding have been capped.
58 Ōtautahi Community Housing Trust (2024) Consolidated Financial Statement.
59 Local Government Funding Agency (2024) Tender Results History Data.
60 Livingston and Associates Ltd (2021) Housing Demand and Need in Greater Christchurch.
61 Waimakariri District Council (2016) Housing for the Elderly Policy.

proposing to take on a bigger role in providing affordable housing,[62] and providing support to CHPs is an opportunity which is being considered.[63]

SDC owns and manages a small number of rental houses in various parts of the district including a small Elderly Persons Housing facility in Darfield, with a total of 15 units.[64] The ownership and management of SDC's rental housing portfolio was historically founded on the inheritance of a number of dwellings provided for previous Council activities where services were undertaken on an "in house basis" and these are typically located adjacent to or on former Council depot sites. It is not a core role of SDC to provide community housing and the Council has elected not to directly intervene to provide community housing.[65]

SDC has the Selwyn District Charitable Trust which holds and distributes funds to support and encourage Selwyn District Council's provision of public services and amenities for the benefit of the public. However, the trust has distributed all of its funds and appears to have no housing role.[66]

The provision of affordable housing could be further encouraged by the GCP councils by providing additional equity (either funding or land) or additional access to cheaper finance via the Local Government Funding Agency to CHPs. The support that ŌCHT receives could be extended to other existing CHPs (e.g. Ngai Tahu - Nōhaka Rau, Habitat for Humanity, Christchurch Methodist Mission) or alternatively new providers could be developed by SDC and WDC to meet the needs in these areas.

2.3.4 Rates remission for CHPs

CHPs pay annual rates on their properties according to the standard rates policy. This cost erodes their overall pool of equity and impacts the amount of borrowing that they can sustain, both of which reduces their ability to invest in more housing.

Most councils provide rates remissions to properties owned and used by not-for-profit community or sports organisations that, in the Council's opinion, provide a significant public good by their use of the land. As an example, CCC provides remission on rates to community-based organisations to support the benefit they provide to the wellbeing of the community. The extent of remission is at the discretion of the Council and may be phased in over several years.

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[62] Waimakariri District Council (2023) Draft Housing Policy – for consultation.
[63] Waimakariri District Council (2024) Property Management team interview.
[64] Selwyn District Council (2024) Rental Housing.
[65] Selwyn District Council (2018) Social Housing Policy Plan.
[66] Selwyn District Charitable Trust (2021) Statement of Intent 2021-24.

Currently, the average rates that CHPs are paying is likely to be over $2,000 per dwelling and could be over $4m per annum in aggregate, based on the number of social houses held by the CHPs within the GCU area.

2.3.5 Planning concessions for CHPs

Planning concessions could be used to incentivise the development of more affordable housing. This could either be a reduction in direct application costs associated with consenting or trade-offs relating to reduced design or development requirements. Both of those options could reduce the costs associated with development and enable the delivery of more affordable housing by CHPs.

As an example, CCC already has a policy that provides a discount to social and community housing providers for resource consent fees.[67] Currently there is a 25% discount available for not-for-profit community organisations and social/community housing providers because of the public good they provide. Fees can be discounted up to a maximum of $5,000 for social and community housing providers and $2,500 for other organisations. Applicants pay the normal deposit when the application is lodged, and the discount is applied when processing has been completed and the final fees are calculated. However, there has been limited uptake of this discount with 6 applications since 2020.[68]

Potentially, other fees could also be discounted or changed to further incentivise development of affordable dwellings by CHPs. As an example, under the Building Act 2004 the Building Consent fees are set according to the estimated value of building works.[69] Generally, councils have fee schedules that are relatively uniform, with the building consent fee being broadly similar across the value range of buildings. The building consent fee set in CCC is $1,750 for dwellings with a build cost under $300,000, $1,900 for dwellings between $300,000 to $500,000, and $2,500 for works over $500,000.[70] The difference between the lowest and highest fee is $750 which means that the CHPs that build lower cost dwellings will tend to pay a similar cost for building consents as market or premium developers. The flat structure of the schedule of fees means that building consent fee will represent a larger share of the total build cost for affordable houses (around 1% or more) as compared to market or premium houses (less than 0.5%).

There are also fixed inspection fees which do not vary according to the nature or value of the building works. These fees will represent a higher share of build costs for CHPs than the market or premium developers.

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[67] Christchurch City Council (2024) Resource Management Fee Schedule 2024-25.
[68] Christchurch City Council (2024) Resource Management social and community housing discount data.
[69] Building Act 2004 s53(2)(a).
[70] Christchurch City Council (2024) Building Consent Fee Schedule 2024-25.

2.4 Action 5: Development contribution rebates for CHPs

The purpose of Action 5 is to explore CCC's approach to development contribution rebates for social housing and papakāinga. Councils in New Zealand can collect funds from developers to recover the costs of infrastructure which is built to enable new development, either as a Development Contribution or a Financial Contribution.

CCC has had a Development Contribution Rebate Policy in place since 2015, and the current policy was adopted by the Council in December 2019. The Policy enables the Council to establish development contribution rebate schemes to encourage development that helps the Council to achieve strategic objectives that have community-wide benefit. The Council currently has two rebate schemes available, Social housing development and Papakāinga/Kāinga Nohoanga development.[71]

The current rebate scheme has a limit of $2.5m over the period January 2023 to June 2027, and as of May 2024 it has been applied to 20 developments and a total of 122 dwellings.[72] Over the period that the scheme has operated there has been 194 new social houses built by CHPs.[73] This suggests that around two-thirds of new social houses received a development contribution rebate. The scheme provides 100% rebate and to date the average rebate has been around $8,000 per dwelling.

However, the Social Housing Rebate Scheme policy requires a covenant to be placed on the specific property at the CHPs' cost. The covenant reduces the value of the land and impacts the CHP borrowing capacity because of this. In some cases, the property value lost because of the covenant has outweighed the benefit of the rebates and deterred greater application/use of the rebate scheme in its current structure.[74]

Other councils in New Zealand also provide reductions in development contributions. As an example, Western Bay of Plenty Council (WBOPC) provides full discount to CHPs or papakāinga developments.[75] The WBOPC district plan also allows for discount of the contribution for all developments if the density achieved is higher than the average lot size within the zone (20%) or a special assessment is provided (50%).[76] The WBOPC policy extends to include some market developments and could incentives the development of more affordable housing.

[71] There had been three other schemes under the policy, which have now been closed, Central City Residential Rebate Scheme, Central City Non-residential Rebate Scheme, and Small Stand-alone Residential Unit Rebate Scheme.
[72] Christchurch City Council (2024) Development Contribution Rebate Policy.
[73] Ministry of Housing and Urban Development (2024) Public Housing in 30 June 2024 Christchurch.
[74] Ōtautahi Community Housing Trust (2024) Interview, data and information.
[75] Western Bay of Plenty Council (2024) Proposed schedule of financial contributions 2024/25.
[76] Western Bay of Plenty Council (2024) District Plan – s11.5.2.

3 Housing affordability policy options

The third step in this research was to establish a range of policy options that could be adopted by the GCP to influence the provision of affordable dwellings. This section draws information from GCP and literature reviewed to define fourteen policy options. This is a fundamental step in the economic assessment, as a core step of policy assessment is to define the counterfactual and alternative options that will be used in the remainder of the assessment.

The scope of this research was to define and test fourteen policy options as follows:

- Six inclusionary zoning options for Action 3 of the JHAP.
- Five incentives options to encourage affordable housing for Action 4 of the JHAP.
- Three development contribution rebates options for Action 5 of the JHAP.

It is important to note that national policy settings can have significant influence on affordability and the housing market in the GCU area. The 'housing crisis' has resulted in consecutive governments implementing a range of national policy changes which have been intended to alleviate the issue. This report assumes that these settings do not change in the future. It is acknowledged that it is highly likely that national policy settings will continue to change and that this will influence affordability outcomes in the GCU area. However, it is beyond the scope of this study to second guess the future national policy settings or the potential implications of these.

3.1 Counterfactual – Baseline

The counterfactual is used as the baseline from which alternative options are tested, i.e. relative to the counterfactual does the option produce a better outcome (greater benefits than costs)? The correct definition of the potential options, including counterfactual and alternative options, is vital as it directly impacts the range of costs and benefits examined, and the resulting quantum.

Generally, the counterfactual is defined as a 'do nothing', 'baseline', 'do minimum', or 'status quo' scenario, whereas the alternative options allow for intervention or change. While this step may seem relatively uncontroversial, the definition of the options is not always straightforward. For this report it is assumed that the level of provision of housing affordability continues as is currently achieved in the GCU area. This means that affordability outcomes continue to deteriorate within the wider market, as estimated within the previous GCP housing needs research.[77]

However, the CHPs and Kāinga Ora are assumed to continue to build new public and social houses at the rate observed since 2020, which means that CHPs build 180 new social houses per annum and

[77] Livingston and Associates Ltd (2021) Housing Demand and Need in Greater Christchurch.

Kāinga Ora builds 240 new public houses per annum.[78] The baseline will be dependent on government policy, both in terms of the role of Kāinga Ora and funding for CHPs, which is likely to change in the future. As a result, the number of households accommodated in this part of the housing continuum could increase to over 13,100 by 2034, which is an increase from 4.3% of all households in 2024 to 5.5% of all households by 2034.

3.2 Action 3 policy options: Inclusionary zoning

For Action 3 the policy options are defined to investigate a range of inclusionary zoning that could be applied within GCU area. The options differ in terms of either having direct provision of land/dwellings or alternatively a monetary contribution, also they differ in terms of which type of development is subject to the policy, i.e. all development or a subset of development. The contribution rates have been set based on the policy options in other jurisdictions, and to give a sense to the possible range of contributions.

For this research the following six options are proposed and assessed:

- **Monetary Contribution Low**: for this policy option it is assumed that for new standalone dwellings there is a monetary contribution charge that is equal to 1% of dwelling sales value. This option broadly represents a policy that is focused on low density development, either greenfield or infill, while not applying to intensification, and applies a low charge rate so is the lowest level of inclusionary zoning that may be applied.
- **Monetary Contribution Medium**: the medium policy option is based on the inclusionary zoning policy which was applied in Queenstown. For this policy option it is assumed that for new standalone dwellings there is a monetary contribution charge that is equal to 2% of a dwelling's sales value. This policy option is similar to the Low in terms of not applying to intensification development, however applying the same rate that was applied in Queenstown's inclusionary zoning policy.
- **Monetary Contribution High**: the high policy option is based on the inclusionary zoning policy which was recently proposed in Queenstown. For this policy option it is assumed that for all new dwellings (i.e. standalone and attached) there is a monetary contribution charge that is equal to 2% of dwelling sales value. This policy option is similar to the new policy proposed (and rejected) in Queenstown and can be viewed as the highest level of inclusionary zoning that may be applied.
- **Land/dwelling Contribution Low**: for this policy option it is assumed that developers of standalone dwelling are required to contribute 4% of land. This policy is similar to the Monetary Contribution Low, but the rate is collected at the point of subdivision or use of land rather than according to final dwelling value.

[78] Ministry of Housing and Urban Development (2024) Social and Public Housing 2017-2024 June Year End.

- **Land/dwelling Contribution Medium**: for this policy option it is assumed that developers of standalone dwellings are required to contribute 5% of land, which is broadly consistent with the inclusionary zoning policy which was applied in Queenstown. This policy is similar to the Monetary Contribution Medium, but the rate is collected at the point of subdivision or use of land rather than according to final dwelling value.
- **Land/dwelling Contribution High**: the high policy option is based on the inclusionary zoning policy which was recently proposed in Queenstown. For this policy option it is assumed that all developers (i.e. standalone and attached) are required to contribute 5% of land. This policy is similar to the Monetary Contribution High, but the rate is collected at the point of subdivision or use of land rather than according to final dwelling value.

While it is beyond the scope of this report to assess housing needs, the inclusionary zoning rate should be set at a level that would collect sufficient funds to meet the identified needs of the community.[79] This need could be estimated by comparing the affordability of housing (calculated mortgage repayments or rents) as compared to the household incomes to establish how many affordable dwellings are required.[80] However, the most recent data on household incomes is from census 2018, with new data from the census 2023 is not available until late 2024, which means that estimation of needs using current data may not reflect the actual needs. If an inclusionary zoning policy option is progressed to Phase 2 of the JHAP then it would be sensible to commission an update of the housing needs assessment which would then be used as the basis for setting the rate that could be adopted.

Additionally, for the CHPs and developers the nature of contribution policy may produce different outcomes. As an example, it may be easier or more effective for developers to pay monetary contribution as this would mean that their development can occur as "normal". Conversely, if a developer has to provide land or dwellings then this could impact the model of their development. For CHPs, the monetary contribution may allow more flexibility in terms of allowing the providers to choose how and where the funds are used. If an inclusionary policy is progressed to Phase 2 then it would be sensible for GCP partners to canvas the views of developers and CHPs to establish the difference between the contribution methods, or whether a combination of the contribution methods could produce a better and more flexible outcome.

3.3 Action 4 policy options: Incentives

For Action 4 the policy options are defined to investigate a range of potential incentives that could be used to encourage the development of affordable houses by CHPs. The incentive policy options include density bonuses, targeted rates, local government support, rates concessions, and planning concessions.

[79] Australian Housing and Urban Research Institute (2018) Planning mechanisms to deliver affordable homes.
[80] Greater Christchurch Partnership (2024) Affordability in Greater Christchurch – Step One Draft.

For this research the following five options are proposed and assessed:

- **Incentives Density Bonus**: for this policy option it is assumed that affordable housing developments in the HDR zone and commercial zones of Christchurch could receive an allowance to build beyond the heights in the district plan. This bonus development density could result in affordable apartments becoming feasible within the inner parts of Christchurch. For this assessment it is assumed that apartment developments that contain affordable housing can increase above the permitted heights in commercial or HDR zone within Christchurch to appoint at which affordable housing represent one in ten of apartments developed in GCU area.
- **Incentives Targeted Rate**: for this policy option it is assumed that CCC, SDC, and WDC ratepayers are charged a targeted rate of $20 per annum to be used for the development of affordable housing in the GCU area. This would amount to around 0.05% increase in average rates bill or less than 40c per household per week.
- **Incentives Local Government Funding**: for this policy option it is assumed that each of the GCP councils provide additional loan facilities to CHPs via Local Government Funding Agency, and sufficient implied capital to support the use of the loan facility to ensure development of affordable housing. For this option the GCP councils would provide an additional loan facility of $28m and an implied contribution of around $23m of additional capital (via land, buildings, or cash).
- **Incentives Rates Concession**: for this policy option it is assumed that the CHPs receive a concession from CCC, SDC, and WDC which means that they are not required to pay rates for their existing or new affordable housing. This would be equivalent to over $4m of rebates every year and would grow as more dwellings are built by CHPs and the existing dwellings stock of CHPs change in value.
- **Incentives Planning Concessions**: for this policy option it is assumed that the CHPs receive a concession from CCC, SDC, and WDC which means that they are not required to pay for planning fees (resource consent, building consents, inspection, etc.). This is assumed to be a value of $5,000 per new dwelling built, which would be equivalent to less than $1m of concessions every year (above what is already provided within the existing concessions policy in CCC).

3.4 Action 5 policy options: Development contribution rebates

For Action 5 the policy options are defined to provide an understanding of the range of potential outcomes that could be achieved via a policy that provides a rebate on development contributions to CHPs for new affordable housing built. These policies will reduce the direct costs to CHPs associated with building affordable housing.

For this research the following three options are proposed and assessed:

- **Development Contribution Policy Low:** this policy option would retain the current rebate policy in Christchurch, and also apply a rebate to all new affordable housing in Selwyn and Waimakariri. For the Low policy options the rebate is assumed to be 20% below the average, to account for the differences in the development contributions across the catchments in the GCU area (i.e. some locations have lower development contributions).
- **Development Contribution Policy Medium**: this option would expand CCC's development contribution rebates policy for affordable housing to all councils, which would mean a full rebate of development contributions if the CHP registers a covenant on the new dwellings that they will be retained as affordable rentals. For the Medium policy options the rebate is assumed to be equal to the average received by CHPs in Christchurch.
- **Development Contribution Rebate High**: this option would be the same as the previous option but would provide a rebate to all affordable housing. For the High policy options the rebate is assumed to be 20% above the average, to account for the differences in the development contributions across the catchments in the GCU area (i.e. some locations have higher development contributions).

These policy options assume that the rebated applies to all development undertaken by CHPs, regardless of the type or location. Potentially the GCP councils could frame the policy to encourage CHPs to develop in certain locations (i.e. redevelopment) or type (i.e. higher density). This level of refinement has not applied in the existing CCC policy, and has not been investigated in this report.

4 Affordable housing outcomes

The focus of this assessment is to provide an understanding of the affordable housing outcomes associated with policy options that the GCP councils could implement. The core step of the research was to quantify the affordable housing outcomes, using a static assessment method that calculates the number of dwellings that could be delivered, and the households that could be accommodated.

As noted above, there are many demand and supply aspects, and policy settings which significantly impact the housing market and affordability outcomes and for many of these the GCP councils have no influence. The following assessment is static and does not attempt to estimate the potential implications of changes in these other important aspects of the housing market. The model simply quantifies a 'what if' scenario of the future, whereby GCP councils are able to implement the stated policy, and does not assess the impacts of changes to these other aspects of the housing market.

To be specific the assessment holds everything else equal, which allows us to isolate the impacts of the policy options. However, it is important to note that changes are likely to occur (i.e. interest rates, migration, etc) which can be expected to significantly impact the provision of affordable housing and affordability in the wider market. These impacts are not modelled in this report and would require separate research.

4.1 Affordable housing provision

Most of the policy options defined in this research result in the CHPs being given discounts or additional funding, both of which will mean that the CHPs will be able to provide more affordable housing than is shown in the baseline counterfactual.

As noted in section 3.1, based on the past data from HUD that the CHPs have been developing around 180 new social houses per annum. This provision of housing is assumed to continue in the baseline and is assumed to be unaffected by the policy options. However the baseline will be dependent on government policy, and funding for CHPs, which could change in the future.

For the assessment of the other policy options, the following parameters are used to quantify the additional affordable housing that could be developed. These parameters were drawn from information, data, and meetings with ŌCHT.[81] Based on the ŌCHT development model the following is assumed for the additional affordable housing that could be developed as a result of the policy options:

- **Build Costs**: are assumed to be the same as average build costs provided by ŌCHT.

[81] Ōtautahi Community Housing Trust (2024) Interview, data and information.

- **Land Value**: are assumed to be the same as average land value of ŌCHT existing stock.
- **Loan (and Equity)**: a loan to value ratio of 50-65%, which means an assumed equity of at least $200,000 is required per dwelling.
- **Capacity Service Agreement**: new social houses are built under contract to central government.[82] These agreements set out commercial terms on which the central government agrees to fund and procure affordable housing for eligible tenants.[83]
- **Retained Affordable**: the new social houses are rented to households at 25% of their net income or retained via a Progressive Home Ownership scheme[84].
- **Finance Costs**: the loans are provided via Local Government Funding Agency, which has interest rates that are much lower than what a normal developer can access. Most recently the interest rates achieved in the tenders ranged from 4.24-4.67%.[85]

These parameters are applied to establish how many additional affordable houses could be delivered for each of the policy options.

4.2 Affordable housing outcomes

For this assessment the affordable housing outcomes have been estimated for the next ten years (2025-2034). Figure 4.1 shows the baseline number of households and housing needs projected in GCP which are drawn from the GCP Housing needs assessment[86] and the assumed numbers of public and affordable housing under the counterfactual – i.e. baseline. The role of public and social housing increases and reaches 32% of projected housing needs by 2034. The share of projected housing needs accommodated in social housing provided by the CHPs increases from 8% in 2025 to 10% in 2034.

[82] Ministry of Social Development (2018) Template New Supply Development Funding and Capacity Services Agreement.
[83] The Capacity Service Agreements are replacing standard IRRS. The agreements only apply to new dwellings, are long term (25 years) encumbrance, and guarantee the CHP a market rent (i.e. IRRS) plus a top up payment to cover the total costs of the development.
[84] The household has a loan to purchase the building and also pays a ground rent for the land. There is a right to occupy for 100 year and ŌCHT has a first right to buy the building back at cost plus inflation (CPI).
[85] Local Government Funding Agency (2024) Tender Results History Data.
[86] Livingston and Associates Ltd (2021) Housing Demand and Need in Greater Christchurch.

Figure 4.1: Households in GCP and social housing (baseline)

Households	**2025**	**2028**	**2031**	**2034**
Waimakariri	29,000	30,800	32,600	34,340
Chirstchurch	163,840	168,140	172,400	176,120
Selwyn	28,522	30,940	33,400	35,980
Total GCP	**221,362**	**229,880**	**238,400**	**246,440**
Housing Need (Emergency, Social, Assisted)	**40,313**	**42,420**	**44,079**	**45,738**
Social Housing				
Kāinga Ora	7,719	8,439	9,159	9,879
Community Housing Providers	3,068	3,608	4,148	4,688
Total GCP	**10,787**	**12,047**	**13,307**	**14,567**
Share of housing need meet by social	27%	28%	30%	32%

The following assessment is conducted in 2024 dollar terms, which economists refer to as real terms. There are no adjustments for inflation that could occur in the future. It is acknowledged that there could be differences between the inflation for land value, build costs, dwelling sales prices, and incomes. However, the relative difference between the changes in inflation for each value is unlikely to be sufficiently different in the coming decade to warrant modelling in this indicative assessment.

As an example, there is likely to be general inflation in construction costs which means that it will become more expensive for CHPs to provide housing. However, general inflation will also result in increases in funds collected (or remitted) via the policy options which would offset the inflation in the cost elements. Therefore, outcomes may not be materially different whether or not inflation is included within the assessment.

Finally, it is important to note that the following calculation of affordable housing provided under each scenario is additional to the provision shown in the baseline (Figure 4.1).

4.2.1 Action 3 policy options: Inclusionary zoning

The inclusionary zoning policies as proposed and defined in this report could result in the collection of a large fund of money each year. This money would be provided to CHPs who will be able to build hundreds of additional affordable houses each year. Indicatively, as defined, the inclusionary zoning policy options could result in the collection of $30m to $100m per annum. This funding could potentially enable CHPs to build an additional 140-470 dwellings each year.

The following steps and assumptions were applied to estimate the funds collected and the number of affordable houses that could be built:

- **Estimate Annual New Builds**: the inclusionary zoning policy options only apply to new builds, either new standalone or all dwellings which are built. Over the last 10 years there was an average of 3,700 new standalone and 5,700 total dwellings consented each year.[87] For this indicative assessment it is assumed that this rate of development applies in the coming 10 years.

- **Estimate New Build and Land Value:** the funds collected in each policy option will be calculated as a share of dwelling or land value. In the last 12 months the average new build dwellings in GCP sold for $804,000 and the average lot sold for $342,000.[88] For this indicative assessment the average dwellings sale price and lot sale price are combined with the estimated annual new builds to establish the total New Build and Land Value**.**
- **Estimate Funds Collected**: the fee rate under each policy option is then multiplied by the appropriate Estimate New Build and Land Value to establish the total funds collected.
- **Additional Affordable Housing:** the CHPs are assumed to need equity of just over $200,000 per house and that they finance the remainder of the build cost using a loan. Therefore, the number of additional affordable houses that the CHPs can provide is estimated by dividing the estimated funds collected by the amount of equity required.

This calculation is conducted each year and Figure 4.2 provides the running total of the final estimate of total new affordable housing that could be provided within ten years if the inclusionary zoning was applied as proposed and defined in the six policy options which have been defined to provide an understanding of the potential range of options. The results show that:

- **Monetary Contribution Low**: by 2034 the CHPs build an additional 1,441 dwellings and in total 13.4% of projected housings needs could be accommodated in affordable housing.
- **Monetary Contribution Medium**: by 2034 the CHPs build an additional 2,882 dwellings and in total 16.6% of projected housings needs could be accommodated in affordable housing.
- **Monetary Contribution High**: by 2034 the CHPs build an additional 4,439 dwellings and in total 20.0% of projected housings needs could be accommodated in affordable housing.
- **Land/dwelling Contribution Low**: by 2034 the CHPs build an additional 2,448 dwellings and in total 15.6% of projected housings needs could be accommodated in affordable housing.
- **Land/dwelling Contribution Medium**: by 2034 the CHPs build an additional 3,060 dwellings and in total 16.9% of projected housings needs could be accommodated in affordable housing.
- **Land/dwelling Contribution High**: by 2034 the CHPs build an additional 4,714 dwellings in GCU area and in total 20.6% of projected housings needs could be accommodated in affordable housing.

[87] Statistics New Zealand (2024) New Dwelling Building Consents.
[88] Corelogic (2024) Sales Prices – New Dwellings and Residential Lots, extracted 3rd September.

Figure 4.2: Action 3 policy options: inclusionary zoning – new affordable housing 2025-2034

Monetary Contribution	2025	2028	2031	2034
Low 1% of Standalone	144	576	1,009	1,441
Medium 2% of Standalone	288	1,153	2,017	2,882
High 2% of All Dwellings	444	1,776	3,108	4,439
Land/dwelling Contribution				
Low 4% of Land Value of Standalone	245	979	1,714	2,448
Medium 5% of Land Value of Standalone	306	1,224	2,142	3,060
High 6% of Land Value of All Dwellings	471	1,886	3,300	4,714

Under all six inclusionary zoning policy options the increase in affordable housing provided by CHPs would be substantial compared to the existing role of the CHPs in GCU area. If this level of provision was to occur, then the CHPs would have a scale that is comparable to that of Kāinga Ora. It may be questionable whether a CHP or group of CHPs would have sufficient capacity to achieve the level of development suggested under these policy options.

4.2.2 Action 4 policy options: Incentives

The incentives policies as defined in this report could result in either funding for CHPs or incentivising the development of more affordable housing. This money would mean that CHPs will be able to build dozens of additional affordable houses each year. Indicatively, as defined, the incentives policy options could enable CHPs to build an additional 4-30 dwellings each year.

Each of the incentive policies operate differently, so the assessment of the affordable housing outcomes is conducted using different methods and as such are described separately.

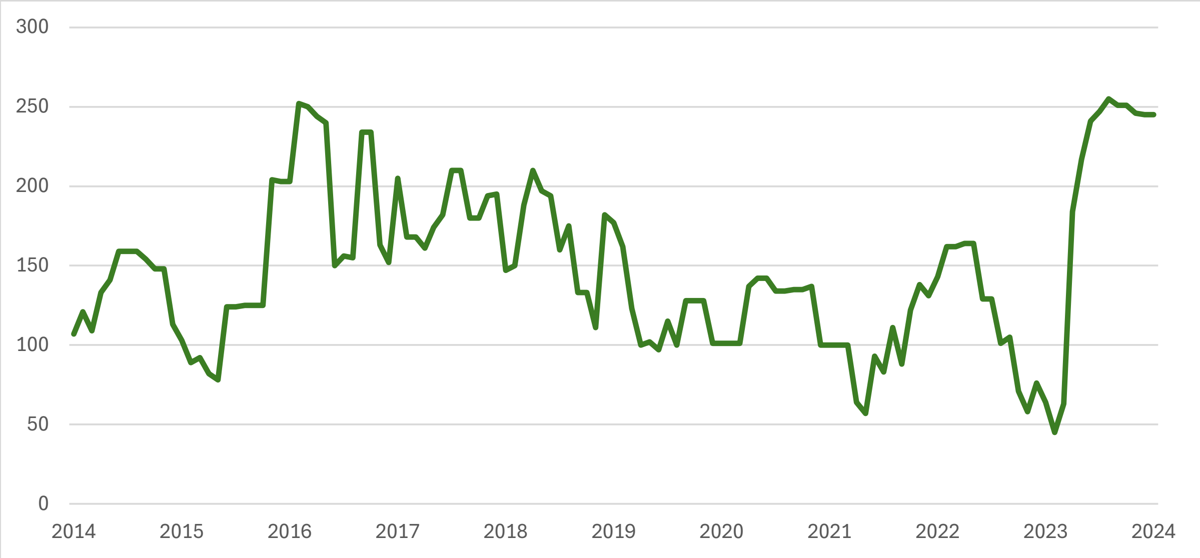
Incentives density bonuses for CHPs

The first incentive policy option, Density Bonuses, will influence the development of apartments within Christchurch and could increase the development of this type of dwelling. Therefore, a useful guide for understanding the potential influence of the density bonuses policy option is the past development of apartments in the GCU area.

Over the last 10 years there was an average of 150 new apartments consented each year.[89] Over the last 12 months the number of apartments consented increased to 250, however development activity is lumpy with a small number of larger developments causing peaks in activity. Therefore, it is likely that the activity from the past 10 years provides a better gauge on activity than the development observed in the past year.

[89] Statistics New Zealand (2024) New Dwelling Building Consents.

Figure 4.3: Greater Christchurch – apartment dwelling consents 2014-2024



Indicatively, if the Density Bonuses policy option was defined to increase the development of apartments by 10% and then this would mean an additional 150 affordable houses over the 10 year period.

Incentives targeted rate

The affordable housing outcomes for the second incentive policy option, Targeted Rate, was estimated by multiplying the projected number of households in the GCU area in each year (Figure 4.1) by the targeted rate of $20 per household which gives a total fund of $4.5-5m per annum over the ten year period. Based on the projected number of households in each territorial area (Figure 4.1), it is estimated that annually approximately $0.7m would be collected from Waimakariri, $0.7m from Selwyn and $3.5m from Christchurch.

These funds are provided to CHPs, which are assumed to use all the funds to build affordable housing. Therefore, the number of affordable houses that the CHPs can provide is estimated by dividing the estimated funds collected by the assumed equity needed per dwelling.

This means that CHPs could build an additional 22 affordable houses per annum or just under 230 affordable houses over the coming 10 years.

Incentives local government funding

The affordable housing outcomes for the third incentive policy option, Local Government Funding for CHPs, was established by assuming that each of the GCP councils provide additional loan facilities from Local Government Funding Agency. It is assumed that the GCP councils also provide sufficient additional capital to enable the CHPs to use the additional loans to build more affordable housing.

The 2024 level of funding support was multiplied by the projected number of households in each future year (Figure 4.1). Based on the size of the community, this means that the GCP councils would need to provide an additional loan facility from the Local Government Funding Agency of $28m in order to maintain the same support as currently exists in CCC. Also, this implies that the CHPs would need to be provided with additional capital of $23m in order to be able to use the loan facility to build more affordable housing.

Again, these funds are provided to CHPs, which are assumed to use all the funds to build affordable housing. Therefore, the number of affordable houses that the CHPs can provide is estimated by dividing the estimated funds collected by the assumed equity needed per dwelling.

This means that CHPs could build an additional 113 affordable houses over the coming 10 years.

Incentives rates concessions for CHPs

The affordable housing outcomes for the fourth incentive policy option, Rates Concessions for CHPs, was estimated by multiplying the projected number of dwellings held by CHPs in each year (Figure 4.1) by the average rate of $2,000 per dwelling which gives a total fund of $2.2m in 2025 which increases to $5.1m by 2034.[90]

Based on the existing housing provided by CHPs in each territorial area and assuming that new houses provided by CHPs are developed in GCP pro rata according to housing needs in each territorial area, it is estimated that annual concessions could reach approximately $0.4m for Waimakariri, $0.2m for Selwyn and $4.5m for Christchurch by 2034.

These funds remain with the CHPs and are assumed to be used by the CHP to fund new affordable housing. Therefore, the number of affordable houses that the CHPs can provide is estimated by dividing the estimated funds collected by the assumed equity needed per dwelling.

This means that CHPs could build an additional 18 affordable houses per annum or just over 177 affordable houses over the coming 10 years.

Incentives planning concessions for CHPs

The affordable housing outcomes for the fifth incentive policy option, Planning Concessions for CHPs, was estimated by multiplying the projected number of new dwellings built by CHPs in each year (which is calculated using the total in Figure 4.1) by the average concession of $5,000 per dwelling which gives

[90] ŌCHT leases some houses from CCC. For these houses CCC pays the rates, therefore any concession on these properties would have no impact on the ability of ŌCHT to provide more housing.

a total fund of $0.9m per annum. These funds remain with the CHPs and are assumed to be used by the CHPs to fund new affordable housing.

Based on the assumption that new houses provided by CHPs are developed in GCP pro rata according to housing needs in each territorial area, it is estimated that annual concessions could reach approximately $0.1m for Waimakariri, $0.05m for Selwyn and $0.8m for Christchurch by 2034.

Again, these funds remain with the CHPs and are assumed to be used by the CHP to fund new affordable housing. Therefore, the number of affordable houses that the CHPs can provide is estimated by dividing the estimated funds collected by the assumed equity needed per dwelling.

This means that CHPs could build an additional 4 affordable houses per annum or 44 affordable houses over the next 10 years.

The calculations described above are conducted each year and **Error! Reference source not found.** provides the running total of the final estimate of total new affordable housing that could be provided within ten years if each of the incentives was applied as proposed and defined in the five policy options. The results show that:

- **Incentives Density Bonuses for CHPs:** by 2034 the CHPs could build an additional 150 dwellings and in total 10.6% of projected housings needs could be accommodated in affordable housing.
- **Incentives Targeted Rate**: by 2034 the CHPs could build an additional 227 dwellings and in total 10.7% of projected housings needs could be accommodated in affordable housing.
- **Incentives Local Government Funding**: by 2034 the CHPs could build an additional 113 dwellings and in total 10.5% of projected housings needs could be accommodated in affordable housing.
- **Incentives Rates Concessions for CHPs**: by 2034 the CHPs could build an additional 177 dwellings and in total 10.6% of projected housings needs could be accommodated in affordable housing.
- **Incentives Planning Concessions for CHPs**: by 2034 the CHPs could build an additional 44 dwellings and in total 10.3% of projected housings needs could be accommodated in affordable housing.

Figure 4.4: Action 4 policy options: incentives – new affordable housing 2025-2034

Incentives	2025	2028	2031	2034
Density Bonuses	15	60	105	150
Targeted Rate	21	87	156	227
Local Government Funding	79	91	102	113
Rates concessions for CHPs	10	51	107	177
Planning concessions	4	17	31	44

Under all of the five incentives policy options the increase in housing provided by CHPs is significant compared to the existing role of the CHPs in the GCU area. The targeted rates and rates concessions policy options would likely result in the largest increase in affordable housing provision. However, the density bonus and local government funding policy options would also potentially enable the development of hundreds of new affordable houses. Several of the incentives could be adopted together as a package, which in combination could result in more affordable housing than if each policy option was adopted in isolation, although the number of additional dwellings would not necessarily be the same as the sum of the individual options.

4.2.3 Action 5 policy options: Development contribution rebates

The Development Contribution policies as defined in this report would result in a reduction in costs for each dwelling constructed by CHPs. This reduction in costs would allow CHPs to be able to use this rebate to invest in more affordable housing. Indicatively, as defined, the development contribution remission policy options could result in a saving of $0.6m to $1m per annum. This potentially would enable CHPs to build an additional 3-5 dwellings each year.

The following steps and assumptions were applied to estimate the rebates paid and the number of affordable houses that could be built:

- **Estimate Annual CHPs**: currently the CHPs are paid rebates on around 80 dwellings per annum. If the rebates were extended to all CHPs developments, then the rebate could increase to cover an additional 100 dwellings per annum.
- **Estimate Rebates Paid**: the rebate under each policy option is then multiplied by the number of dwellings to establish the total refunds paid. For the medium policy option it is assumed that the rebate is the same as the average paid from the CCC scheme ($8,000 per dwelling). For the Low and High policy options the rebate is assumed to be 20% above and below the average.[91]
- **Additional Affordable Housing:** the number of additional affordable dwellings that the CHPs can provide is estimated by dividing the estimated funds retained by the assumed amount of equity needed ($200,000 per dwelling).

This calculation is conducted each year and Figure 4.5 provides the running total of the final estimate of total new affordable housing that could be provided within ten years if the Development Contribution rebates was applied as defined in the three policy options. The results show that:

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[91] Development contribution policies charge different rates depending on the catchment in which the dwelling is built. The Low at $6,400 and High at $9,700 provides an understanding of the potential lower and upper limit on the potential value of the remission, which will vary depending on where affordable housing developments occur within the GCU area and how the associated development contribution policies charge fees within the area spatially.

- **Development Contribution Remission Low**: by 2034 the CHPs could build an additional 31 dwellings and in total 10.3% of projected housings needs could be accommodated in affordable housing.
- **Development Contribution Remission Medium**: by 2034 the CHPs could build an additional 39 dwellings and in total 10.3% of projected housings needs could be accommodated in affordable housing.
- **Development Contribution Remission High**: by 2034 the CHPs could build an additional 47 dwellings and in total 10.4% of projected housings needs could be accommodated in affordable housing.

Figure 4.5: Action 5 policy options: development contribution rebates – new affordable housing 2025-2034

Development Contribution Rebates	2025	2027	2029	2031	2034
Low	3	9	15	22	31
Medium	4	12	20	27	39
High	5	14	23	33	47

Under the three Development Contribution rebates policy options the increase in housing provided by CHPs is relatively small compared to the existing role of the CHPs. However, this incentive could provide a positive increase in the supply of affordable housing and may become large if this policy option was paired with one or more of the other policy options.

5 Wider impacts of housing affordability policy

This section provides a qualitative discussion of the wider role and implications of the different Housing Affordability Policy Options, including social impacts, and changes to the housing market, and economic outcomes relating to:

- urban form,
- transport,
- infrastructure, and
- efficiency.

Importantly, the following qualitative discussion is provided as a guide or indication to the scale of the wider impacts, as the scope of this research did not include a full social and economic impact assessment. In all cases the discussion should not be viewed as a complete assessment, on which further research would be needed in Phase 2 of the JHAP to substantiate the points made in this assessment.

As noted above in section 2, previous economic assessments of housing policy suggests that the societal benefits from providing more affordable housing can be two or three times the costs of the investment. However, there will be a point at which the net impacts of providing more affordable housing may not be positive, meaning that GCP councils need to careful to balance the provision of affordable housing to ensure that the marginal costs of an additional affordable house provided do not exceed the marginal benefits that accrue from the provision.

5.1 Social implications

Social and public housing plays a crucial role in promoting equity, health and safety, social mobility, cohesiveness, and connectivity within the community.

Affordable housing promotes equity by providing affordable housing options to low-income households. It ensures that groups in the community, regardless of their financial situation, have access to housing. This helps to reduce the socioeconomic divide, allowing people from different backgrounds to live in the same community, which can foster inclusivity, a sense of shared experience and access to shared community infrastructure.

Also, access to stable and affordable housing has a direct impact on community outcomes. Social and public housing reduces the stress and anxiety associated with housing insecurity, leading to better mental and physical health outcomes for residents. Developments that are well-managed and integrated into the broader community help reduce homelessness and provide safer living environments.

Furthermore, social and public housing can be a stepping stone for economic mobility by providing a stable foundation from which residents can pursue education, job training, and employment opportunities. When individuals and families have affordable housing, they can allocate more resources toward improving their economic situation, such as investing in education or saving for the future. There is also more money available for recreational activities, including building social connections or participating in sports which can lead to good health wellbeing outcomes.

Affordable housing plays a crucial role in fostering cohesiveness and connectivity within communities. By providing affordable housing options, affordable housing initiatives can bring together people from diverse backgrounds and socioeconomic statuses. This diversity often leads to stronger community bonds, as residents interact more frequently, share common spaces, and collaborate on various neighbourhood activities.

In terms of social implications, the direct positive outcomes that could accrue from each of the Housing Affordability policy options have been discussed in section 4 and are not repeated. However, it is important to note that the policy options will all increase the supply of affordable housing relative to the baseline and can be viewed as being positive as it will contribute to the social outcomes discussed above.

Broadly, it is likely that the social outcomes from most of the policy options will be highly positive. This includes the inclusionary zoning which will result in substantial number of affordable houses and many of the incentives policies (density bonus, targeted rates, local government funding and rates concessions) which will provide significant numbers of affordable housing. While the planning concession and development contribution rebates policies provide a smaller number of affordable housing and hence a smaller social benefits outcome.

5.2 Housing implications

The NPS-UD is an important part of the planning framework in which the Housing Affordability policy options would be considered. In terms of housing implications, the NPS-UD requires councils to:

- Make planning decisions that improve housing affordability by supporting competitive land and development markets.[92]
- Provide at least sufficient development capacity to meet expected demand for housing.[93]

[92] NPS-UD, Objective 2.
[93] NPS-UD, Policy 2.

- Enable a variety of homes that meet needs[94]

First, in terms of affordability implications the direct positive outcomes that could accrue from each of the Housing Affordability policy options have been discussed in section 4 Affordable housing outcomes and are not repeated. However, it is important to note that the policy options will all increase the supply of affordable housing relative to the baseline and can be viewed as making positive contributions.

Additionally, there may also be indirect impacts on housing affordability via changes in the overall market. For most of the Housing Affordability policy options there will not be indirect effects on the provision of affordable housing by the market (i.e. local government funding, rates concessions, planning concession and development contribution rebates). While these policies will reduce the costs associated with building affordable houses, these houses are not sold or rented in the market, which means that there is unlikely to be any material impact on housing affordability, beyond the direct benefits discussed in section 4.

Also, the targeted rates policy is unlikely to materially impact the affordability outcomes in the market. While it may be argued that increasing rates would impact the overall affordability of ownership (or potentially rents), the targeted rate is unlikely to be material compared to the total housing costs faced by households. As defined in this report the rate increase would be less than a dollar a week, which would be much less than 0.1% of housing costs and would not be material in terms of affordability outcomes.

The density bonus policy option could contribute to the development of more affordable housing beyond what was measured in section 4. The additional development opportunity enabled by this policy option could result in developers being able to provide cheaper housing options.

Conversely, the inclusionary zoning policy options could impact the affordability of housing provided in the market. As defined in this assessment these policy options would result in an additional cost of $8,000 (Low) to $17,000 (High) per dwelling being charged from developers, which is equivalent to 1-2.1% of the cost of an average dwelling.

However, it is likely that there will be a limit as to how much developers of new houses can increase the sale price to offset the additional costs associated with the inclusionary zoning policies. This could result in a reduction in development activity by the market, as some developments that were marginally commercially feasible would become infeasible with the additional cost of inclusionary zoning.

[94] NPS-UD, Policy 1.

As discussed in Section 2, developers would be able to pass some of this price on to households which would mean market housing would be less affordable. If developers are not able to pass on the full cost in the form of increased sale prices then there could also be a reduction in dwellings provided. However, it is important to note that economic literature suggests that generally the elasticity of demand for housing is low. This means that demand for houses does not reduce greatly when prices change which suggests that developers will be able to pass most of the costs on to households and that the number of dwellings supplied will not be materially impacted by the inclusionary zoning policy. Therefore, these policy options could be mostly expected to result in some negative impacts on affordability of market housing in the GCU area. This would likely be less than 1-2% (depending on the policy option applied), and represents a one-off shift.

The policy options suggested in this report are unlikely to materially impact the operation of the competitive markets. While all of the policies provide an advantage to CHPs, these providers do not act within the market. Therefore, the advantage gained by the CHPs is unlikely to affect the operation of the competitive markets. The policies are more or less uniform in terms of their application within the market, and are unlikely to increase or reduce competition.

Second, the NPS-UD requires that councils provide sufficient capacity to meet the expected demands. The policy options suggested in this report are unlikely to impact the scale of capacity enabled within the GCU area. As discussed in Section 2 each of the GCP councils have been required to change their planning frameworks to allow MDRS and intensification, both of which have resulted in a large amount of plan enabled and commercially feasible capacity within the GCU area.

Most of the affordable housing policy options tested in this report will not materially impact the scale of the capacity within the GCU area or whether there is sufficient capacity to meet the expected demand (i.e. local government funding, rates concessions, planning concession and development contribution rebates).

The density bonus policy option could contribute to providing more development capacity. However, the increase proposed must be considered in comparison to what is already enabled and while this policy would be positive in terms of providing more capacity it would not change the overall situation in terms of sufficiency. Specifically, the addition of more capacity within CCC commercial or HDR zones will not change the sufficiency outcome that already exists in these areas.

Conversely, the inclusionary zoning policy options could impact housing supply and the sufficiency of that capacity to meet expected demand. The additional inclusionary zoning costs associated with development could result in some developments becoming commercially infeasible. However, as noted above it is likely that developers will be able to pass much of this cost on to households and the impacts on feasibility may be offset. Nevertheless, for some of the policy options certain types of dwellings could be targeted (i.e. standalone in the Low-Medium policy options) which could impact the provision of these dwellings and potentially whether there is sufficient capacity to meet expected demand within submarkets. Also, there may be a difference between contribution mechanisms of the inclusionary zoning policy. Specifically, the monetary contribution policy options could allow more flexibility for the CHPs. Conversely, the land/dwelling contribution policy options could constrain development of affordable housing into certain locations. If an inclusionary policy is progressed to Phase 2 then it would be sensible for GCP partners to canvas the views of developers and CHPs to establish the difference between the contribution methods, or whether a combination of the contribution methods could produce a better and more flexible outcome.

Finally, the policy options will all support the provision of a wider variety of housing within the GCU area. Most importantly, under all the policy options the CHPs will provide more affordable housing which is likely to increase the range of dwellings provided to the community. Also, for the Density Bonus policy there could be new types of dwellings provided which do not currently exist in the GCU area, i.e. affordable apartments.

5.3 Urban form implications

An important aspect of the NPS-UD is that planning policy should contribute to a well-functioning urban environment that enables all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and into the future.[95] Each of the Housing Affordability policy options will contribute to the well-functioning Urban Environment in the GCU area in different ways.

For many of the policy options tested in this assessment it is likely that the impacts on urban form and the well-functioning urban environment will be relatively small, but positive. The development contribution rebates, targeted rates, rates concessions, and planning concession policy options apply evenly across the GCU and therefore are unlikely to cause significant changes in the urban form of the GCU area. However, these policy options will contribute to providing a wider range of housing because the CHPs will be able to develop more affordable housing than would have occurred under the baseline. Therefore, these policies would be likely to contribute to the wellbeing of the community and the well-functioning urban environment.

The Density Bonus policy could encourage the development of new types of dwellings (apartments that are affordable) and these dwellings would be located within the inner parts of the GCU area which would likely contribute to a well-functioning urban environment. Therefore, it is likely that this policy could improve the urban form outcomes relative to the baseline or the other policy options.

[95] NPS-UD, Objective 1.

Also, four of the inclusionary zoning policies apply to standalone dwellings which could have implications in terms of urban form and the types of dwellings provided in the GCU area (Monetary Contribution Low, Monetary Contribution Medium, Land/dwelling Contribution Low, and Land/dwelling Contribution Medium). Under these inclusionary zoning policies there will be additional costs associated with new standalone dwellings, which for the most part tend to be built in locations in the outer parts of the GCU area. Under these policy options there could be a shift of demand towards the inner parts of the GCU area and also more higher density dwellings. Therefore, these policies could improve the urban form outcomes relative to the baseline or the other policy options. However, this potential shift is expected to be comparatively small, as the expected impacts on the housing market (at less than 1-2% of house price) for these policy options is not expected to be significant.

Finally, two of the inclusionary zoning policies apply to all dwellings (Monetary Contribution High, and Land/dwelling Contribution High). These policies may discourage development in the inner parts of the urban area and higher density dwelling types. Therefore, these policies could negatively impact the urban form outcomes relative to the baseline or the other policy options.

5.4 Transport implications

For most of the Housing Affordability policy options it is not possible to establish whether there will be a different outcome in terms of transport. For most of the policies tested the implications will be, more or less, uniform across the GCU area and therefore are unlikely to have a discernible effect on transport outcomes. The development contribution rebates, targeted rates, rates concessions, and planning concession policy options apply evenly across the GCU and therefore are unlikely to impact transport outcomes.

However, for all of these policies it is assumed that CHPs will receive extra funding and hence be able to develop more affordable housing. The transport outcomes from these policies could be positive (or negative) depending on where the additional housing is provided within the GCU. It is not possible to assess the transport outcomes associated with these development decisions.

The Density Bonus policy is inherently spatial, and is expected to incentivise additional development within the Commercial and HDR zones within the GCU. These areas are proximate to major transport infrastructure, both road and public transport, and there is a range of services and retail in these locations. This means that new households that are accommodated in these areas should be able to travel efficiently and access many of their needs locally, which may contribute to mitigating transport costs and emissions. Accordingly, it is likely that encouraging affordable housing supply in these locations will result in better transport outcomes and associated economic benefits.

The Density Bonus policy is likely to result in a reduction in travel (kilometres, time, costs) and other transport related costs (congestion, vehicle emissions, CO_2) as compared to development elsewhere, although confirmation of this would require analysis through traffic modelling. These positive transport effects will have economic implications in terms of the efficiency of the economy and costs borne by households.

Also, four of the inclusionary zoning policies apply to standalone dwellings which could have implications in terms of where households choose to live and where dwellings are developed by the market (Monetary Contribution Low, Monetary Contribution Medium, Land/dwelling Contribution Low, and Land/dwelling Contribution Medium). Broadly, under these inclusionary zoning policies there will be additional costs associated with new standalone dwellings, which for the most part tend to be built in locations that have lower density and less access to the transport network (both roading and public transport). Under these policy options there could be a shift of demand towards higher density dwellings which on average tend to be located in the inner parts of the urban area and hence better served by the transport network. However, this potential shift is expected to be comparatively small, as the expected impacts on the housing market for these policy options is not expected to be significant.

Finally, two of the inclusionary zoning policies apply to all dwellings (Monetary Contribution High, and Land/dwelling Contribution High). These policies may discourage development in the inner parts of the urban area. These areas have the best access to the transport network (both roading and public transport), and hence if development is discouraged in these areas, then there could be a negative impact on transport efficiency.

5.5 Infrastructure implications

While it is beyond the scope of this report to assess the relative infrastructure costs associated with the different policy options, it is likely that there will be economic benefits from the fact that some policy options will encourage development of housing in locations that have existing infrastructure or where households can be provided infrastructure more efficiently. Those lower costs would improve the productivity of the economy by reducing the quantity of resources needed to accommodate new growth.

It is considered likely that the Density Bonus Policy may result in more development within the commercial zones and HDR zones, both of which will have existing infrastructure which would mean that this policy option would likely generate positive economic benefits in terms of accommodating growth for a lower overall cost.

Also, the inclusionary zoning policy options that apply to standalone dwellings (i.e. Monetary Contribution Low, Monetary Contribution Medium, Land/dwelling Contribution Low, and

Land/dwelling Contribution Medium) could also cause some growth to shift from greenfield areas to the existing parts of the urban environment towards higher density, as households attempt to avoid the higher cost of new standalone dwellings. The costs of providing infrastructure to new households within the existing urban environment tends to be lower, and therefore if there is a preference shift as a result of these policies then this could result in lower overall costs. However, this potential shift is expected to be comparatively small, as the expected impacts on the housing market for these policy options is not expected to be significant.

Conversely, the inclusionary zoning policy options that apply to all dwellings (i.e. Monetary Contribution High, and Land/dwelling Contribution High) could result in less demand for higher density dwellings in the existing parts of the urban environment. The costs of providing infrastructure to new households within the existing urban environment tends to be lower, and therefore a shift away from this type of development could result in higher overall costs. However, this potential shift is expected to be comparatively small, as the expected impacts on the housing market for these policy options is not expected to be significant.

For the other nine policy options it is considered that there may be small differences in infrastructure costs, however those are unlikely to be material.

Again, confirmation of the scale of these benefits would need to be quantified by other experts, however in some instances they are expected to be positive in economics terms, by causing lower costs to be borne by council and the community.

5.6 Efficiency implications

The collection of funds can result in losses of efficiency within the economy (i.e. a deadweight loss). In some cases, a policy will result in new administrative costs to collect the funds, while in others there is already a system in place therefore there will be minimal additional costs.

For most of the policy options there is already a system in place, which means that the collection or remittance of funds is not likely to result in additional administration costs and hence would be relatively efficient. The targeted rates and rates remission fall within the existing rating system, and therefore these policies are likely to result in little additional administration costs to implement. Likewise, the remittance of development contributions and planning concessions mostly exist in the current system, with some additional costs associated with extending these policies to Selwyn and Waimakariri. Therefore, these options are considered to be relatively efficient methods for achieving the affordable housing outcomes.

The inclusionary zoning policy options would require new systems to implement and would be relatively less efficient compared to the other options. There would also be considerable costs associated with progressing these policy options through the RMA framework. However, these options would collect a large fund, and on a cost per dollar collected basis may be relatively efficient. It is beyond the scope of this report to assess the potential scale of the administration or implementation costs.

The implementation of the local government funding policy option may or may not be relatively easy to establish. CCC has completed this process in the past, which suggests that it is a practical option. However, there may be a range of legal and planning issues, which could influence the efficiency of this policy option.

Finally, the introduction of a density bonus for CHPs would require a council plan change which has associated costs, and this policy then would need to be administered by council officers. However, these costs are likely to be relatively small and hence this policy option may be relatively efficient.

5.7 Wider implications

Figure 5.1 summarises the discussion above. To provide a better understanding of the discussion above a traffic light classification system has been adopted to describe the wider implications for each of the policy options. The red light means a negative outcome compared to the baseline and green means a positive outcome compared to the baseline. The amber light means limited difference in terms of outcomes compared to the baseline.

Based on the qualitative assessment of the wider implications it is considered that:

- The two High inclusionary zoning options may not perform well in terms of the wider impacts, with many negative outcomes (red lights).
- The four low and medium inclusionary zoning options mostly show a mix of positive and negative outcomes (green and red lights). Also, these policies would provide a substantial positive increase in affordable housing.
- The Density Bonus for CHP has mostly positive or neutral outcomes, which suggests that this policy option would likely be beneficial according to the qualitative assessment. Also, these policies would provide a significantly positive increase in affordable housing.
- The targeted rates, local government funding and rates concession polices, mostly show neutral outcomes and some positive outcomes. These policies would provide a significantly positive increase in affordable housing.
- The planning concessions and development contributions remissions policies have limited impacts, and hence may have limited value in terms of implementation, with many neutral outcomes (yellow lights). However, these polices do provide some positive affordable housing which are valuable, even though they are small.

Figure 5.1: Wider implications traffic light system

Wider Implications Traffic Light Assessment Housing Affordability Policy Options	Affordable Housing (Social)	Housing Market	Urban Form	Transport	Infrastructure	Efficiency
Monetary Contribution Low	Green	Red	Green	Green	Green	Red
Monetary Contribution Medium	Green	Red	Green	Green	Green	Red
Monetary Contribution High	Green	Red	Red	Red	Red	Red
Land/dwelling Contribution Low	Green	Red	Green	Green	Green	Red
Land/dwelling Contribution Medium	Green	Red	Green	Green	Green	Red
Land/dwelling Contribution High	Green	Red	Red	Red	Red	Red
Incentives Density Bonuses for CHPs	Green	Green	Green	Green	Green	Amber
Incentives Targeted Rate	Green	Amber	Amber	Amber	Amber	Green
Incentives Local Government Funding	Green	Amber	Amber	Amber	Amber	Amber
Incentives Rates Concessions for CHPs	Green	Amber	Amber	Amber	Amber	Green
Incentives Planning Concessions for CHPs	Amber	Amber	Amber	Amber	Amber	Green
Development Contribution Remission Low	Amber	Amber	Amber	Amber	Amber	Green
Development Contribution Remission Medium	Amber	Amber	Amber	Amber	Amber	Green
Development Contribution Remission High	Amber	Amber	Amber	Amber	Amber	Green

In conclusion the qualitative assessment indicates that Density Bonus, targeted rates, local government funding and rates concession polices are likely to have the best outcomes where the potential benefits are likely to outweigh the costs. These policy options can be viewed as low hanging fruit, which would be implementable in the short term. Therefore, these options could be preferred and should be investigated further in Phase 2 of the JHAP.

The planning concessions and development contributions remissions are likely to have minimal implications in terms of the wider impacts. However, it is expected that the net outcomes would most likely be positive. These options could be investigated further in Phase 2 of the JHAP.

The inclusionary zoning policy options would produce both positive and negative outcomes. Further investigation and detailed assessment would be required to establish whether the positive outcomes would outweigh the negative outcomes for the inclusionary zoning policy options. It is acknowledged that these policies would result in a considerable amount of funds being collected from the community and that GCP councils would need to commission more research to develop a robust evidence base to justify the implementation of these options.

6 Conclusion

The main outcome of this research is the high-level definition of fourteen housing policy options and an indicative assessment of the affordable housing outcomes associated with the options.

In summary the assessment shows that there are a number of ways that additional affordable housing could be supported in the GCU area. Figure 6.1 shows a summary of the affordable housing outcomes that could be achieved for each of the fourteen policy options that were tested. The table shows the new affordable dwellings that could be developed as a result of each policy option between 2025-2034, the total affordable dwelling stock at 2034 which includes the baseline affordable dwellings, and the share of households accommodated at 2034 under each policy option.

Implementation of inclusionary zoning (Action 3) would have the largest potential in terms of providing thousands of additional affordable houses, and there are a number of incentives (Action 4) that could be implemented that would also result in substantial numbers of affordable housing being provided for the community. The extension of Christchurch City Councils development contribution policy could also encourage a small number of additional affordable houses to be developed.

Figure 6.1: Summary of policy options actions 3, 4, and 5 – new affordable housing 2025-2034

JHAP Action	Policy Option	New Affordable 2025-2034	Total Affordable 2034	Share of Housing Need in Affordable
Action 3 Inclusionary Zoning	Monetary Contribution Low	1,441	6,129	13.4%
	Monetary Contribution Medium	2,882	7,570	16.6%
	Monetary Contribution High	4,439	9,127	20.0%
	Land/dwelling Contribution Low	2,448	7,136	15.6%
	Land/dwelling Contribution Medium	3,060	7,748	16.9%
	Land/dwelling Contribution High	4,714	9,402	20.6%
Action 4 Incentives	Density Bonuses for CHPs	150	4,838	10.6%
	Targeted Rate	227	4,915	10.7%
	Local Government Funding	113	4,801	10.5%
	Rates Concessions for CHPs	177	4,865	10.6%
	Planning Concessions for CHPs	44	4,732	10.3%
Action 5 Development Contribution	Remission Low	31	4,719	10.3%
	Remission Medium	39	4,727	10.3%
	Remission High	47	4,735	10.4%

Potentially several of the policy options could be adopted as a package, which in combination could result in more affordable housing than if each policy option was adopted in isolation. It may be that decision makers combine several of the policy options in this report and the other Actions in the JHAP to produce a set of scenarios, as an example Low - Growth Pays for Growth, Medium - Affordable Housing is Essential Infrastructure, High - GCPC as NZ Affordable Housing Leaders, etc.

This report has also considered the wider impacts of the housing policy options, which includes social impacts, housing market implications, and other implications (urban form, transport, infrastructure, efficiency). This qualitative assessment suggests that some of the policy options may be preferred over others.

In conclusion the qualitative assessment indicates that:

- Density Bonus, targeted rates, local government funding and rates concession polices are likely to have the best outcomes where the potential benefits are likely to outweigh the costs. Therefore, these options could be preferred and investigated further in Phase 2 of the JHAP.
- The planning concessions and development contributions remissions are likely to have minimal implications in terms of the wider impacts. However, it is expected that the net outcomes would most likely be positive. These options could be investigated further in Phase 2 of the JHAP.
- The inclusionary zoning policy options would produce both positive and negative outcomes. Further investigation and detailed assessment would be required to establish whether the positive outcomes would outweigh the negative outcomes for the inclusionary zoning policy options. However, it is acknowledged that these policies would result in a considerable amount of funds being collected from the community and that GCP councils would need to commission more research to develop a robust evidence base to justify the implementation of an inclusionary zoning policy.

When contemplating the policy options, it would also be sensible to consider the likelihood of successful implementation. While some of the policy options may produce a small number of additional affordable housing, they may also be comparatively easy to implement (i.e. planning concessions and development contributions). Conversely others policy options may result in a large number of affordable housing being provided, but they could be hard to implement (i.e. inclusionary zoning or target rates).

This comparison of affordable housing yield versus probability of success would be a useful method for understanding the potential options in this report and the other actions from the JHAP. The figure below shows a stylised comparison of policy options.[96]

[96] SGS Economics and Planning (2019) City of Melbourne Housing Needs Analysis.

Figure 6.2: Affordable housing yield versus probability of successful implementation