

POLICY FOR DETERMINING DESIRED HOUSING MIX

(For endorsement by Planning Committee, 27 November 2018)

Preamble – Context

1 Policy purpose

1.1 *The purpose of this policy is to set the framework for Panuku Development Auckland to establish the desired housing mix for development sites and priority development locations.*

2 Strategic alignment

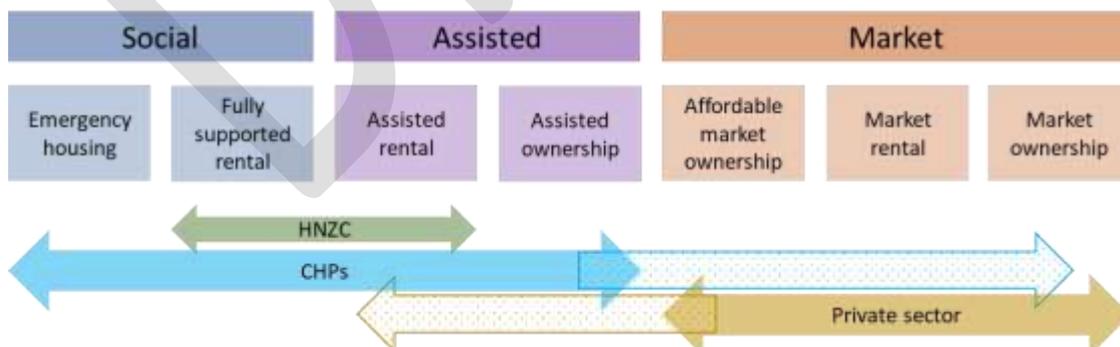
2.1 *Panuku plays a critical part in delivering the Auckland Plan 2050 outcomes, specifically in relation to Homes and Places and Belonging and Participation:*

- *Direction 1: develop a quality compact urban form to accommodate growth*
- *Direction 2: accelerate the construction of homes that meet Aucklanders' changing needs and preferences.*
- *Direction 3: Shift to a housing system that ensures secure and affordable homes for all.*
- *Direction 4: provide sufficient public places and spaces that are inclusive, accessible and contribute to urban living.*

3 Definitions

3.1 **Housing mix:** *There is no universally agreed definition of social mix or housing mix both of which may be used to refer to income mix, ethnic mix or tenure (owner occupation and rental mix). Most attention is given to the mix of tenants receiving public housing assistance and owner occupiers.*

3.2 *The term housing mix used by Panuku is intended to refer to both tenure mix and the range and balance of housing choices in any project or wider location, with reference to the housing continuum, illustrated below (based on Auckland Plan 2050).*



- 3.3 **Social housing:** *Subsidised rental accommodation usually funded by the Income Related Rent Subsidy and provided by the government (through Housing New Zealand) or community housing providers (CHPs), with support services, as needed.*
- 3.4 *Panuku is not a social housing provider, except in relation to our role as development facilitator for Haumaru Ltd (social housing for older people). Haumaru Ltd is responsible for social elderly housing services including tenancy management. Panuku is responsible for rationalisation and redevelopment of villages and determining the appropriate housing mix for each site in consultation with Haumaru Ltd.*
- 3.5 *Panuku has, and does, sell sites to social housing providers including HNZ and the New Zealand Housing Foundation. Other Community Housing Providers are also partners in our developments.*
- 3.6 **Affordable housing:** *There are a variety of definitions typically low to middle income households spending no more than 30% of their gross income on rent or mortgage costs and other essential household costs. Types of affordable housing include Assisted Rental and Assisted Affordable Ownership, provided by CHPs and the government and some Market Affordable programmes. Retained affordable housing means that it remains affordable for the duration of the house and is not lost to the open market once affordability restricts are removed after a set period.*
- 3.7 *Affordable and assisted housing models often rely on trade-offs with land value or similar indirect subsidy or payments. When referring to **affordable housing** we mean housing that is delivered at or below the KiwiBuild price points as well as assisted housing delivered by our partners such as CHPs to households that are not eligible for social housing or KiwiBuild and cannot afford more expensive market priced housing.*
- 3.8 **KiwiBuild Affordable Home Ownership scheme** *is a market affordable programme open to first home owner-occupiers who meet eligibility criteria and receive that right to purchase a home through a ballot. Housing units to be sold in Auckland at the following price caps: studio/one bedroom \$500k, two bedroom \$600k, three bedroom \$650k. It is noted that such homes will only be affordable to households in the top half of incomes.*
- 3.9 **Progressive home ownership** *schemes include rent-to-buy, shared-equity, assisted ownership, leasehold arrangements as a means of enabling lower-income households, and key workers, to progress towards home ownership. These may be provided by the government or CHPs and potentially by the private sector.*

4 Scope

- 4.1 *This policy covers principles and processes to establish the desired housing mix for development sites and Panuku locations in advance of engaging with prospective development partners. It sets out how housing mix will be determined regarding the desired proportion of social, affordable and market housing, with reference to the housing continuum.*
- 4.2 *This policy does not specifically cover design and sustainability outcomes¹ or developer selection, provided under other policies and processes.*

¹ *Design quality is critically important to Panuku. Essential design outcomes are set out in development briefs and an internal and independent design review process is in place. The Corporate Responsibility team provides leadership and specialist advice on integrating sustainability into the business, including the development of specific actions and standards and localised sustainability strategies in redevelopment areas.*

5 Background

- 5.1 *The basis for this policy is set out in the Information Report to Board dated 27 June 2018.*
- 5.2 *Over the next 30 years, Auckland's population is expected to increase by up to a million people. Auckland must ensure an adequate supply of housing to meet this demand or face growing housing shortages, continued soaring house prices and a fall in home ownership, growing unaffordability of rents, and increased homelessness.*
- 5.3 *Auckland Council is seeking to develop diverse communities. Mixed tenure communities² reduce spatial inequality and bring about wider benefits such as de-stigmatisation of an area, social cohesion and better health outcomes. These have positive multiplier effects that:*
 - *Help enhance the sense of belonging*
 - *Induce positive, participatory actions*
 - *Improve access and connectivity*
 - *Create opportunities for sustained prosperity.*
- 5.4 *Council's expectations of Panuku, set out in the Accountability Framework (2018), include that redevelopment of the overall portfolio should offer a range of residential choices and price points to cater for diverse households. Panuku is tasked with finding the right balance between strategic and commercial outcomes, as well as facilitating private sector, third sector, iwi and government investment into the sustainable redevelopment of brownfield urban locations and promoting Māori identity and wellbeing.*
- 5.5 *As set out in our Business Strategy, Panuku aims to facilitate a range of housing typologies, sizes and price points in the priority development locations. Panuku has facilitated the development of both social and affordable housing by working with CHPs and HNZ as development partners. We are working with KiwiBuild in a number of locations and will deliver housing at similar affordable price points in several locations.*
- 5.6 *It is good practice in urban regeneration to have a mix of housing typologies and tenure. Panuku has considered this on a site-by-site basis, based on our development and regeneration experience and in discussion with our development partners.*
- 5.7 *Applying mixed tenure to the regeneration of areas is intended to do two things: one to integrate private ownership and rental in areas where a high concentration of low-income households have existed, largely through state rental housing. The other is to create new or replacement affordable and social housing as part of the redevelopment project.*
- 5.8 *To date Panuku has set out a desired housing mix (in terms of proportions of market, social and affordable housing, tenure and typology), based on a range of considerations:*
 - *Town centre vision, outcomes, key moves in the High-Level Project Plan (HLPP)/Framework Plan*
 - *Existing housing typologies and tenure mix in and around the centre*
 - *Locational factors such as facilities and amenities*
 - *Commercial feasibility and market demand*
 - *Opportunity for demonstration and leadership*
 - *Opportunity for partnership.*
- 5.9 *Specific analysis of community need has not generally been undertaken.*
- 5.10 *The policy settings and legislative frameworks for housing, as well as determining the spatial demand for social housing is the role of Central Government.*

² Auckland Plan 2050, June 2018

- 5.11 *Social housing is, by its nature, allocated to households with highest need. Determining the appropriate quantum of social housing within any development schemes is of significant interest to potential development partners, Local Boards and the community.*
- 5.12 *A review of the literature has found that there is limited evidence around the precise proportion of a neighbourhood in social housing that generates either beneficial or problematic outcomes. Reports range from an optimal of 20% social housing (largely driven by developer assumptions around saleability of private houses) through to policy positions of 30-50% social and affordable housing (driven by Government agencies aiming to meet demand).*
- 5.13 *The disadvantages of high concentrations (for example 60-70%) of social housing, particularly in apartment typologies (with the exception of the elderly), seem to be well established noting that it is often not just the proportion of social rental that is the issue, but also tenancy management, allocation policy, building quality and maintenance and access to services. A high concentration of social housing is likely to be mixed with low quality private rental and boarding houses and is unlikely to support quality market housing and homeownership, impacting on town centre revitalization potential.*
- 5.14 *A maximum of 20-30% social housing is often applied as a rule of thumb, based on observation and experience, and has come to represent international and local best practice. Similarly, it is common practice in large urban regeneration projects to include affordable housing options in the mix. A mixed tenure model of a third social, a third affordable and a third private market housing is typical and is the approach being taken by urban development agencies in Auckland where public land is being redeveloped and intensified.*
- 5.15 *The Auckland Community Housing Provider Network (ACHPN) members work on the basis that no one tenure should be dominant using the rule of thumb that a new housing development should roughly have a housing tenure mix that provides social rental housing (between 20% to 30%), affordable housing options (30% to 40%) and competitively priced market housing (20% to 40%). The final split of tenures is determined by the household cohort needs and the project context.*
- 5.16 *Panuku needs flexibility to determine the appropriate housing mix based on the local context. Where there is already a predominance of social housing (e.g. Manukau) we are looking for more market and affordable housing in the mix as well as other housing choices like student and hotel accommodation. Where there is a predominance of higher income home ownership and 3-bedroom houses (e.g. Takapuna) we are looking for different housing choices through intensive typologies and more affordable options. Where the aspirations are about changing community and market perceptions of a location we are generally looking for market housing and home ownership with the assumption that greater disposable income will support revitalisation. In some cases, we are looking to emulate the wider area or recent past (e.g. family housing in Henderson).*
- 5.17 *The Government plans to significantly increase the supply of social housing through the intensification of housing on HNZ land often with the intention to deliver a mix of social, affordable and market housing. On some sites social housing is being redeveloped at much greater concentrations.*
- 5.18 *In the priority locations Panuku will work closely with the crown to ensure alignment of objectives and a good overall housing mix arising from land sales and swaps with HNZ and our own development programmes.*
- 5.19 *To attract development partners Panuku will need to consider private sector considerations as to demand and the appropriate marketable mix. There is also a need to have a long-term view on the revitalization of the centre and the impact of any development scheme on the likelihood of attracting private development partners to develop future sites.*

- 5.20 *Panuku is also required by Auckland Council to work closely with Local Boards and their views of the future of their centres, development and housing outcomes, need to be considered.*
- 5.21 *In implementing the (Draft) Panuku Mana Whenua Outcomes Framework – Action Plan 2018-2020, Panuku will need to engage with Mana Whenua on housing opportunities and mix, on a project by project basis. The mix will be dependent on the agreed project outcomes.*
- 5.22 *The scale of the housing affordability issues in Auckland, and the direction of the Auckland Plan to shift to a housing system that ensures secure and affordable homes for all, suggest that Panuku needs to be open to innovative approaches, including demonstration projects and proactively identify sites to support affordable housing. These may take the form of:*
- *Progressive home ownership options*
 - *New citizen-driven and community-involved housing development models – with varying titles - Co-housing, “break even development”³, “Deliberative development”⁴ which is where a group of intending owner occupiers becomes the proponent of an apartment development in place of the developer.*
 - *Intergenerational, papakāinga-style development – whānau oriented or led co-housing*
 - *Construction and development models*
- 5.23 *In many locations in Auckland this will require the provision of sites at below-market value and therefore needs to be balanced with achieving a good commercial return from other sites.*
- 5.24 *The housing mix for any site has been determined at that time we take the site to the market. This still seems appropriate in many of our locations where we are only delivering a few hundred housing units, rather than driving long term urban regeneration with broad social and economic outcomes. Greater consideration of housing needs and demand may be appropriate in Panuku locations where the largest number of houses will be facilitated, e.g. Manukau, Panmure, where the housing outcomes are not fully explored in the HLPP or Framework Plan.*
- 5.25 *It is worth noting that often a development agreement is not enduring post completion, so Panuku does not have ultimate control of the outcomes, given that it could change following the release of our encumbrance (i.e. developer could manage sales to get around our requirements if they really wanted to).*

³ The “missing middle” refers the gap between non-profit fully subsidized housing (emergency and social housing) and full profit, speculative housing and the potential for “break even” development.

⁴ An example of architect-led deliberative development is the Nightingale model in Melbourne, Perth and Sydney.

6 Policy objectives

6.1 To achieve:

- A diversity of housing choices in terms of typologies, sizes, price points and tenure.
- A successful and appropriate housing mix in town centres supporting revitalisation
- Greater clarity for community, stakeholders and development partners
- A clear rationale for Panuku approach to housing mix
- The flexibility to balance strategic and commercial outcomes across the Panuku portfolio and to work effectively with a diversity of development partners.

7 Policy approach

7.1 Panuku will determine housing mix with reference to the housing continuum including social, affordable and market housing.

7.2 The **general principles** are:

- a) Responding to the housing crisis requires, scale, speed, innovation and partnerships. With design quality in mind we will encourage the highest densities that the market can deliver, in town centre locations where there is good access to transport and amenities.
- b) Diverse communities are an essential element of sustainable cities and successful urban regeneration. Panuku will aim to facilitate mixed tenure communities. A mix of tenure is not required on all individual development sites⁵.
- c) The appropriate mix of housing tenure, typology, size and price points is context specific and will depend on the site characteristics, including size and constraints, locational characteristics and market demand.
- d) Panuku is required to facilitate a range of residential choices. To facilitate social and affordable housing in some locations, we will partner with the third sector, government, Iwi and private development partners.

Priority Development Locations

7.3 For **Priority Development Locations where less than 500 housing units are forecast** (i.e. Papatoetoe, Henderson, Avondale, Takapuna), a site-by-site approach may be taken. The desired housing outcomes will be based on a range of considerations:

⁵ A mix of tenure, typology, size and price points is likely to be more feasible where there are several housing blocks on a site, rather than within a single apartment building. Careful thought needs to be given to apartments, given that there is a greater concentration of people in one place. Housing mix is principally considered at the neighbourhood scale.

- Town centre vision, outcomes and key moves sought for the centre, as set out in the approved High-Level Project Plan/Framework Plan
 - Existing housing typologies and tenure mix in and around the centre
 - Locational factors such as facilities and amenities
 - Commercial feasibility and market demand
 - Type of development, including typology
 - Development counterparty/s.
 - Shareholder and community expectations.
 - Opportunity for demonstration, innovation and leadership
 - Opportunity for partnership.
- 7.4 For **Priority Development Locations where more than 500 housing units are forecast** (i.e. Manukau, Panmure, Northcote, Onehunga)⁶, we will establish an overall target mix for those locations taking a 30/30/40 (social/affordable/market) mixed tenure approach as the starting assumption. To establish the final split of tenures for these locations we will work with stakeholders and undertake fuller analysis of the following:
- Population and demographic projections
 - Community housing need (available analysis)
 - Government and council housing objectives and initiatives for the area.
- 7.5 The housing strategy for these priority development locations will ensure that decisions on individual sites will be made in the context of an overall target, working towards an end goal.
- 7.6 Panuku will continue to engage with social and affordable housing providers including HNZ, HLC and CHPs to understand their housing aspirations and plans in Panuku locations and policies regarding mix, concentration, design, allocation and tenancy management.
- 7.7 Outside of the Transform and Unlock locations, Panuku may take into account the same considerations as 7.4 above in determining housing outcomes for a site, however noting that the focus is more on commercial outcomes.

Social housing

- 7.8 To support diverse communities and achieve an appropriate housing mix, Panuku will facilitate **social housing** through direct engagement with CHPs and the government (HNZ, HLC, MSD) on suitable sites and will facilitate social housing for the elderly through our partnership in Haumaru Ltd.
- 7.9 To avoid large concentrations of social housing, Panuku will work with our social housing partners to support them to incrementally improve the social housing stock and add affordable and market housing to the mix.
- 7.10 In the Transform and Unlock locations, the optimal share of social housing of up to 30% is the working assumption for Panuku projects, where social housing is part of the development scheme. Panuku has the flexibility to place further restrictions on concentrations in large developments.
- 7.11 It is expected that social housing will be indistinguishable in terms of design quality in a large-scale development and be well integrated and managed, long-term.

⁶ More than 500 housing units are forecast in Wynyard Quarter, Hobsonville, Flatbush/Ormiston however the housing outcomes have largely been determined or there is a policy on housing mix in place.

Affordable housing

- 7.12 To support diverse communities and achieve an appropriate housing mix, Panuku will facilitate **affordable housing** through engagement with CHPs and private developers delivering KiwiBuild and innovative housing solutions (such as long-term rental) on suitable sites. A focus will be on supporting affordable housing that is retained.

Mana whenua housing outcomes

- 7.13 As part of implementing the Maori Responsiveness Framework, Panuku will facilitate Maori housing outcomes through engagement with Mana Whenua Iwi on suitable sites with reference to the Mana Whenua Outcomes Framework.

Sustainable Design and implementation

- 7.14 A minimum Homestar 6 standard has been agreed for building performance, which is complimentary to this policy. There is flexibility within this tool to cater for local conditions. The inclusion of social and affordable housing can attract innovation points and contribute to the Homestar rating. Homestar 6 will reduce household running costs contributing to affordability.
- 7.15 Panuku will proactively identify sites for pilot and demonstration projects and invite expressions of interest for innovative models (such as progressive home ownership and affordable housing, key worker housing, co-housing etc).
- 7.16 The desired housing outcomes, including housing mix, will be conveyed to potential development partners at the outset, by inclusion in the EOI or RFP documentation.

8 Associated policies

- 8.1 The following strategies, policies and guidelines are also relevant to determining housing mix and ensuring quality housing outcomes:
- Auckland Plan 2050
 - Approved High Level Project Plans
 - Panuku sustainable design requirements
 - Any Council Housing Strategies
 - Selecting Development Partners Policy
 - Council Procurement Policy
 - Panuku design review processes
 - Panuku Corporate Responsibility Framework
 - Panuku Mana Whenua Outcomes Framework

9 Responsibilities and approvals

- 9.1 The Director Development is responsible for the implementation of this policy. Housing outcomes will be included in every EOI or RFP. The Chief Operating Officer is responsible for monitoring and ongoing review of the policy. This will be supported by long-term monitoring of outcomes in town centres and reporting on benefits realisation of projects and programmes.
- 9.2 All Panuku staff selecting development partners and negotiating agreements with developers must adhere to this Policy.
- 9.3 This policy will be publicly available once approved.

10 Approval and review of this Policy

Business Owner	Strategy and Operations		
Policy date	November 2018		
Frequency of review	Three yearly (or earlier if context or mandate changes)		
Last reviewed	New	Approved by Panuku Development Auckland Board	November 2018