Housing Affordability in Auckland: looking behind the rhetoric

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Abstract: Housing affordability is becoming the political issue in Auckland, New Zealand. From the perspective of central government the issue is framed as a misuse of planning that interferes in the workings of the property market place. From the perspective of Auckland Council the issue is framed by a planning ethos favouring urban containment imperatives, and the transport, environmental, economic and social costs of a sprawling city. On the one hand, central government has conducted several reviews of the planning and local government legislation, undertaken a Productivity Commission inquiry into housing affordability, and threatened the Auckland Council that it will create a Crown agency to take over the planning of greenfield sites on the fringes of the city, if the Council does not zone these for residential development. On the other hand, Auckland Council (created by central government in 2010 in order to reduce bureaucratic inefficiencies and to support integrated coherent planning) has released both a spatial plan for the region and a draft Unitary plan (statutory zoning plan) using an urban containment approach, and backed by rounds of community consultation. This paper unpacks the rhetoric and discourses around these two distinct approaches, to better understand the policy options being pursued and the storylines behind them. What is clear is that this is not simply a clash of two contrasting visions of a future Auckland – it is also about the relationship between New Zealand government and the largest and most metropolitan city council in the country.

Introduction
Since the early 1990’s in New Zealand, the affordability of good quality housing for both rental and purchase in specific locations has been of limited concern to some politicians, some local councils in areas experiencing high housing demand, providers of social and community housing, and individuals unable to access appropriate housing. Reports have been written, strategies at the national, regional and district level have been developed, and there have been some small but significant shifts in policy (e.g. Auckland Regional Growth Forum, 2003; Housing New Zealand Corporation, 2005; Department of the Prime Minister and Cabinet, 2008; Austin, 2009; Johnson, 2012). Until recently politicians and the media have not identified housing affordability as an election issue for New Zealand. However, over the last 3 years, housing affordability issues and policy responses have become much more evident in the political arena. This is partly due to sharply increasing house purchase prices in Auckland, significantly impacting on the ability of would-be first homeowners to purchase, although notably rental prices have not increased at the same rate, and partly due to noticeable decreases in residential construction following the global financial crisis. The current National-party led government has favoured a neo-liberal response with legislative reforms limiting the roles that local government can play; requiring statutory planning to adopt the efficient and effective mantra of market processes and economic development; and requiring local government to open up greenfield sites for residential development and threatening them with direct intervention if they don’t. Whilst the Labour (opposition) party has received strong public support for its proposals to develop a public-build programme to construct 100,000 affordable dwellings for first-home buyers in 10 years, elections will not be held until late 2014. In the meantime, the Auckland Council (established in 2010 and with one third of the country’s population) has developed its own spatial plan (The Auckland Plan), its regulatory plan (the draft Unitary Plan) and a Housing Action Plan that contrasts with the policy approach adopted by central government.

In developing an understanding of the two distinct approaches of the National-led government and the Auckland Council over the last 3 years, this paper will use the methodology of discourse analysis to explore how the issue of housing affordability has been framed by the two parties, and the divergent discourses that have resulted. In this analytical mode, ‘framing’ refers to the assumptions underlying policy; how an issues is identified and defined; how debates around the development of a policy emphasise some issues over others, how the links between issues and policy responses are drawn out; and how the whole is constructed as a coherent storyline. ‘Discourse’ refers to the way language is used in policy-making and how language reflects the underlying assumptions and values of the policymakers.

“Each discourse rests on assumptions, judgements and contentions that provide the basic terms for analysis, debates, agreements and disagreements.” (Dryzek, 1997, p.8).

Contested discourses are common in urban planning, characterised as it is by complex and messy problems, non-linear decision making, and the distribution of significant public and private resources. Early applications of discourse analysis to planning (Moore Milroy, 1989, Tett and Wolfe, 1991) have
been followed by both theoretical and applied studies (Hajer, 1995, Lees, 2004). Two recent Australian applications of discourse analysis on divergent discourses of urban climate change adaptation (Taylor et al, 2013) and on housing policy and planning reforms (Gurran and Phibbs, 2013) illustrate the utility of the analytical approach.

For this study, key documents from central government and the Auckland Council from 2011 – 2013 were systematically reviewed to identify underlying “… assumptions, judgements and contentions” (Dryzeck, 1997). The starting point for document analysis follows the founding of the Auckland Council in late 2010. The key documents included the Housing Affordability Inquiry (New Zealand Productivity Commission, 2012) and associated Cabinet papers; relevant Acts of Parliament and associated documents, including the Resource Management Amendment Act 2013 and the Housing Accords and Special Housing Areas Act 2013; The Auckland Plan, 2011; the Auckland Council Housing Action Plan Stage 1, 2012; and the Auckland Housing Accord, 2013. The discussion of this analysis starts with the government’s establishment of an inquiry into housing affordability and follows the development of its policy responses and planning regime reforms. This is followed by consideration of the Auckland Council’s planning documents, the way that housing affordability is framed and the policy responses being considered. The two divergent discourses are brought together – or rather clash – over the Auckland Housing Accord.

The housing affordability storyline according to the New Zealand Government

The New Zealand Productivity Commission started its Inquiry into Housing Affordability in March 2011. Whilst the scope of the Inquiry was determined to be with “the factors influencing the affordability of housing (both rental and owner-occupied housing)” (p. iv) the main focus was on “…the impediments to home ownership” for first home buyers (p. iv) and the feasibility of reducing or removing the impediments identified (NZPC, 2012). The Inquiry was directed to consider the cost and price of housing; the productivity of the residential construction industries; and the roles of taxes, levies and charges. Wider macro-economic factors, such as the global financial crisis, were recognized at the point of sale (as potentially impacting on house price inflation and on mortgage securitisation for households – areas where the government has some leverage) but not on the ability of development companies to secure finance.

A key focus of the Inquiry was the supply chain associated with new residential construction, the cost of production and the purchase price of the dwellings. The final report (the ‘Report’) published in March 2012 made 33 recommendations across 8 thematic areas. These areas were taxation; urban planning, with 8 recommendations for policy changes; the costs of new infrastructure (4 recommendations); the role of building regulations (10 recommendations); construction sector performance; the private rental sector; the provision of social housing; and Maori housing. Thematic areas with less focus on the supply chain received softer recommendations for change: the role of taxation was to be “monitor(ed);” home ownership assistance programmes “review(ed)” for efficiency and effectiveness; the social housing funding system “review(ed)” to reduce application costs for community groups (NZPC, 2012). There were some notable omissions from the Report: housing quality issues received only a passing nod (in one page of the Report on the private rental sector), despite the significant body of New Zealand research that has established clear links between poor quality housing and costs to individual households (poor health and high heating bills) and to the public health sector (see Howden-Chapman et al, 2011). The possibility of requiring new construction to achieve higher environmental performance and lower operating costs for households in the future, was completely omitted.

A review of the chapter on urban planning gives an indication of the tenor of the analysis undertaken by the Commission. This chapter included significant sections discussing the impact of local council’s plans and planning processes on the price of land, on the cost, time and uncertainty of getting consents, on the size of the contributions to the council towards infrastructure associated with the development, on the difficulty of development on infill sites etc. In this storyline the positive benefits of planning and public regulation of the development industry were omitted; the community objectives underlying urban growth management strategies were ignored; and urban growth strategies were conceptualised negatively as setting restrictive urban growth limits that ‘constrain the supply of potential sections’ (p. 117). In a similar fashion, the planning processes for assessing development proposals (for their environmental, social and economic effects) were characterised as delivering “…costs and delays … that are significant contributing factors to the production costs of new residential development” (p. 120). A number of recommendations follow: from “increasing land supply for new housing” (p.113); through “…simplified, speedier and less costly” planning consent processes (p. 121); to “bring(ing) significant tracts of greenfield and brownfield land to the market in Auckland” (p. 122) (NZPC, 2012). It is noteworthy that whilst the policy discourse seeks to address housing affordability
by increasing the supply of newly constructed housing, the coherence of the storyline starts to fracture as neo-liberal economic analysis faces the realities of property development processes. Recommendations for making more land available for residential development are simplistic and have no regard for the purchase price of the subsequent housing. Making more land available may have little impact on housing affordability; a developer may respond to market demand by developing a site for fewer (but more expensive and more profitable) dwellings than allowable under the planning regime. With rising urban populations, and with ongoing immigration of skilled people, filtering of supply of higher priced and higher quality dwellings through to lower priced dwellings will be limited.

Several of the recommendations called for making more greenfield land available, especially in Auckland, but the significant costs to households related to the peripheral location of any new housing were only briefly considered within the main body of the Report, concluding with a comment that “… pricing will enable people to make trade-offs between (housing costs and) transport costs, according to their budget and preferences” (p.113). Issues such as the costs of transport for peripherally-located dwellings making a sizeable call on household budgets and the possibility that lower density residential development on the periphery could generate greater externalities (infrastructure, transport and health costs) than development within existing urban areas, were relegated to Appendix B (NZPC, 2012). This appendix devoted most of its pages to critiquing selected research and modeling approaches on this issue from other countries. An assorted and somewhat disparate selection of overseas research findings was used to justify a statement about the equivocal nature of research results. Noting the difficulty in transferring research findings from overseas cities enabled the disruption to the coherence of the discourse to be downplayed and ignored.

In contrast to the sections on urban planning, the Report was both brief in its analysis and short on its recommendations for private property rights that might impact on housing affordability. For example, private restrictive covenants were noted (p. 117) as potentially problematic for addressing housing affordability on greenfield residential development (often requiring larger lot sizes, larger houses etc) and on urban sites may prevent residential intensification unless all local property owners agree to remove the covenant (NZPC, 2012). Rather than recommending regulation of these private covenants or subsuming them to local council planning objectives (when in conflict), as happens in some Australian states, the Report redefined ‘the problem’ as a misalignment between local planning policies, rules and regulations, for the local council to fix.

In another example, land banking was noted as potentially occurring but for which there was little evidence; despite land banking being recognized as significant for Auckland by the government’s own Department of Building and Housing in 2008. The Report seemed uncertain as to why land banking would occur; an analogy was made with the world of commerce “… in most businesses, moving inventory at reasonable prices makes better sense in terms of return on capital than sitting on it …” (p.118, NZPC, 2012). This naive statement showed a limited understanding of the role of property and property rights acquired through zoning and planning consents in property portfolios and of the scale of increase in land values on changes in zoning and/or the acquisition of planning permission. In the real world it may be perfectly economically rational for a landowner to not proceed for a number of years with the subdivision and/or construction of a residential development project. The site (and its planning consent) may have minimal holding costs and be more valuable for its contribution to an asset portfolio than for immediate development. Whilst no recommendations on land banking followed from this less than detailed analysis, the regulatory planning processes of local councils were again identified as requiring reform to provide a simpler, quicker and less costly planning process.

The Cabinet considered the Report in October 2012 and noted four points as “the key areas to address New Zealand’s significant affordability problem” (Cab Min (12) 35/4A, Oct. 2012): land supply; paying for the development of infrastructure; low productivity in construction; and delays and costs due to regulation. Housing affordability was conceptualized as a supply problem arising from impediments to the development and construction of new dwellings. The Cabinet paper stated “…constraints, delays and uncertainty on releasing land create scarcity and high prices are due to plan changes taking too long to become operative and the ‘permitted activity’ base being too restrictive.” (Cab Min (12) 35/4A, October 2012).

Overall, the government agreed with almost all the Report’s recommendations, or the intent behind them, noting in some cases that policy changes were already underway. Given that five of the government’s Ministers (Finance, Environment, Housing, Building and Construction and Regulatory Reform) signed off on the terms of reference for the Inquiry, this is hardly surprising. For the government, planning was identified as the problem and the planning system must be reformed. This analysis neatly dovetailed with the programme of local government and planning reforms already
underway (see below). Only one significant recommendation - to review the regulations around the quality of private sector rental accommodation and improve their implementation and enforcement - did not receive some level of government support, on the basis that “quality standards can work against housing affordability objectives by increasing the cost of housing” (Cab Min (12) 35/4A, October 2012). In this conceptualization, housing affordability is reduced to the rent.

Reforms of the planning system enacted by the government in the Resource Management Amendment Act 2013 in September included four significant changes. Firstly the reforms introduced faster processing requirements for medium-sized projects. Secondly the reforms enabled planning proposals of significant economic scale to bypass the local council planning processes and go directly to the Environment Court for a decision. Thirdly the reforms modified the existing assessment procedures so that, whilst retaining a wide notion of effects (environmental, economic, social and cultural effects) required the assessment to be specific to the proposal; placed a new emphasis on whether the proposal will have a positive or negative effect on economic growth and employment; and introduced a requirement of quantification of costs and benefits “where practicable”. Fourthly, the reforms provided a one-off stream-lined process for the Auckland Unitary Plan involving reduced notification requirements for affected parties; government appointment of the members of the Hearing Panel; a maximum 3-year period from first notification of the plan through to Council decisions on recommendations for changes; and restrictions on appeals to those decisions to the Environment Court.

These reforms were promulgated in the name of speeding up the planning process, but they also involved shifts in power. Whilst this can be most clearly seen in the case of the Auckland Unitary Plan with the appointments to the Hearing Panel being controlled by the government, the planning reforms across all local councils will see a shift in priorities to explicitly include (and give greater priority to) the likely effects on economic growth and employment. Allowing proposals of significant economic scale to remove themselves from local council scrutiny, and local community input, may serve to reinforce the bias in favour of economic development. Quantification of the assessment of effects may well result in planning consent decisions giving greater regard to economic matters, willingness to pay, contingent valuation assessments of social and environmental matters, and the like, in order to move to some common metric “... to ensure that decision makers have the best information on which to make decisions” (p. 2, MfE, 2013a). The reduction in opportunities for input into the Auckland Unitary Plan processes may make for speedier plan-making but may well result in limited consideration of more diverse inputs in favour of submissions from those more closely aligned with the views of the Hearing Panel, whose members will be government appointees.

In August 2013 the Environment Minister announced the next phase of reforms to "streamline decision making" in the planning system. These proposals include requiring councils outside Auckland to work together to deliver a single plan across a region (to simplify and standardize rules); speedier fast-track processing of planning consents for simpler development proposals; and requiring councils to plan for long-term land supply, and “ensure that there is a minimum of 10 years zoned capacity to meet the demands of a growing population” (p. 29, MfE, 2013b) to address housing affordability issues. These two rounds of planning reforms suggest that the Minister is using concerns about housing affordability to reduce local council's intervention in all types of development, not just residential, with a new orientation for planning from sustainable management to economic growth and employment.

The housing affordability storyline according to the Auckland Council

The Auckland Council was established late in 2010, by central government, with the intent that one council would reduce bureaucratic inefficiencies and support integrated coherent planning (Mouat and Dodson 2013). The Council delivered the country's first spatial plan (The Auckland Plan) in 2012. This document was wide ranging and forward looking (30 years) around the central vision for Auckland “...to be the world’s most liveable city” (p. 2). The Auckland Plan set targets and directives for social and economic development, environmental protection and responses to climate change, transport and physical and social infrastructure and housing. Whilst “people are at the heart of The Auckland Plan” (p. 36) and much is made of the new “aspirational outcomes” and “transformational shifts”, the development strategy can be seen as following on from, and adding to, the Auckland Regional Growth Strategy 1999. This previous strategy emphasized a more compact urban form, with intensification around centres and transport nodes and a metropolitan urban limit (MUL) to define the edge of urban expansion from productive agricultural land and areas of environmental sensitivity and to encourage more intensive development of existing urban areas. The existence of the MUL raised the ire not only of landowners whose properties lay outside it, but also of politicians of a neo-liberal persuasion. The Minister of Housing referred to the MUL in emotive terms in an interview on Radio
New Zealand (March, 2013) as "a stranglehold that needs to be broken if houses are to be made affordable to families…"
political judgment calls, as pursuing either option would have resulted in conflict with government. Attention appears to have shifted within the Council to the Auckland Housing Accord (see below), with the establishment of a team of officers lead by the planner who headed the development of The Auckland Plan.

Clashing storylines over the Housing Accords and Special Housing Act 2013

In April 2013 the Minister of Housing took a paper to the Cabinet on Addressing Housing Supply and Affordability through Housing Accords and Special Housing Areas. (CAB Min (13) 12/14) The Minister asserted the need for an urgent and temporary measure to increase the supply of housing in the short term, until the planning system reforms and other policy measures were implemented and the time-lag before their anticipated impact on house prices. The Minister proposed establishing housing accords (agreements between government and local councils to collaborate on addressing the supply of housing and housing affordability) in regions or districts where housing affordability indicators met specific criteria; and designating special housing action areas within which more permissive and speedier planning consent processes would operate. If a housing accord could not be established, the Chief Executive of the Ministry of Business Innovation and Employment (MBIE) would be empowered to identify special housing areas and execute the more permissive planning processes directly. At the time of delivery of this Cabinet Paper Auckland, Wellington, Canterbury (including Christchurch), Queenstown Lakes, Nelson/Marlborough and Tauranga/Western Bay of Plenty all met the criteria – so for almost all significant urban areas, the proposal held the distinct possibility of government intervention in their planning processes.

The Housing Accords and Special Housing Areas Act 2013 (the ‘Act’) became law in September. The Housing Accord must “…set out agreed targets …” (Section 11) for the increase in dwelling supply (including the minimum number to be built in a Special Housing Area), however there was no requirement in the Act for a Housing Accord to include the number or proportion of these dwellings to be affordable. This was made quite clear in Section 15 of the Act where the Governor General may prescribe that a percentage of dwellings in a Special Housing Area are to be affordable. In addition, there was no agreed definition of ‘affordable’ in the Act. As a result, whilst Special Housing Areas will contribute to the overall supply of dwellings, as they will contain the minimum prescribed number of dwellings in “qualifying residential development” (Section 14 (1) (d) of the Act) that meets market demand (section 16 (3) (b) of the Act), without a percentage requirement, they are unlikely to deliver affordable housing. To strip this Act back to its essentials, it is a mechanism for enabling more permissive and speedier processing of applications for planning consent for residential development, with reduced notification requirements to affected parties, speedier processing and speedier hearings of submissions, than would be the case under the existing local council planning regimes. The purpose of this Act “…to enhance housing affordability by facilitating an increase in land and housing supply” (section 2) is to be given greater weight than that of the planning legislation (the Resource Management Act 1991) which has as its central purpose “… the sustainable management of natural and physical resources” (Section 5). If a local council does not want to enter into a Housing Accord with government or if it has done so and then wants to opt out, the Ministry (MBIE) could execute the more permissive planning regime regardless.

When the Act was passed, Auckland was the only region included in the Schedule, despite most other significant urban areas meeting the criteria. The government and the Auckland Council agreed to the Auckland Housing Accord in October 2013. The Auckland Council had raised two major concerns during the drafting and passing of the Act and these formed the major areas of disagreement between the Council and government during the discussions over the Auckland Housing Accord, and are likely to be contentious into the future. Firstly the Mayor of Auckland pledged in his election campaign (for the October 2013 elections which he won) to “…ensure that a percentage of housing development under the accord will be required to be affordable and specifically targeted at first-home buyers and those who do not have the means to purchase a home at market rates” (LenBrownforMayor, 2013). Without any requirements in the Act and no statement to that effect in the Auckland Housing Accord, this pledge may be difficult to deliver. And secondly, whilst the Act enables either of the two parties, the government or the Council, to opt out of the Accord, this is an unequal opt out; as the Minister then has the power to intervene, take over the planning regime in all special housing areas and designate additional areas, as deemed necessary.

Diverging discourse and power relations

An examination of the selected reports, policies and plans relevant to housing affordability in New Zealand and in Auckland reveal the two dominant storylines. The government’s storyline draws on neo liberal ideology, frames housing affordability in narrow purchase price terms, identifies planning as the problem (disrupting market forces) and the reform of planning as the solution, to open up land for
residential development and fast track planning consent processes. Developing such a storyline and promulgating it as the only objective and rational approach, excludes other voices and other potentially more effective and innovative responses. When the group framing a particular policy is led by powerful ministers in the government of the day, and when this framing is aligned to a political viewpoint and to a political constituency, reconceptualising both the issue and the policy response faces serious challenges. The Auckland Council’s storyline frames housing affordability in wider terms (including transport costs, housing quality and environmental impacts) and draws on the concept of a more compact city, in which density, diversity, creativity and agglomeration economics are to be valued, and searches for more complex policy responses.

Whilst both storylines exhibit some degrees of incoherence, it is not the purity of the storyline that will win the day. What is starting to emerge from these divergent discourses is a power struggle. Auckland Council was created by central government, partly so that the urban region could speak with one voice. Whilst government can threaten Auckland Council with the removal of its planning powers (as in the Act), there are also political realities to consider. One third of the population lives in Auckland, and it would be a foolish political party that ignored the size of this voting population. In some ways, the discourses around housing affordability are becoming more significant than the issue itself. The working out of these diverging storylines is not simply a clash of two contrasting visions of a future Auckland; it is also about the relationship between New Zealand government and the largest and most metropolitan city council in the country.

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