



# National's Housing Policy

National believes New Zealanders should be able to own their own home. Home ownership is an important part of our social fabric. Home ownership leads to connection to a local community and more stable links for children to local schools.

However, New Zealand has some of the most expensive housing in the world, increasingly putting home ownership out of reach of many. There is now a consensus amongst both politicians and others that New Zealand's planning rules are primarily to blame. In 1990, prior to the Resource Management Act (RMA), the median price of a house in New Zealand was \$115,000 – just \$200,000 in today's dollars. Today, that price has risen to \$675,000.

Housing affordability has become the most pressing social issue facing New Zealand. Expensive housing hurts those on low incomes the most. Where low income families find a high portion of their income committed to housing costs it means not enough money is left over for clothing, heating and food. This issue can be fixed and National will fix it – there is a better way.

Labour campaigned on being committed to addressing New Zealand's housing crisis. They pledged to bring house prices down by building 100,000 KiwiBuild houses. Labour announced it was the market that had failed and the government was the solution.

After three years in government, Labour has built only around 600 KiwiBuild houses. The median price of a house has risen by 27 per cent since Labour took office, rental costs have increased 15 per cent, and the social housing wait list has increased four-fold.

Labour has utterly failed to deliver on housing. Earlier this term National wrote to Labour and offered to work on a bi-partisan RMA replacement – Labour refused. Labour has done a U-turn and now admit that RMA repeal is needed.

Unfortunately, Labour does not have a clear plan. Only National has a clear plan to begin

addressing our burdensome planning rules within our first 100 days.

## National will:

- Amend the RMA to require councils to permit more housing in our first 100 days.
- Repeal the RMA and develop a new Planning and Development Act in our first term.
- Enable Community Housing Providers to build more social houses through setting aside \$1 billion of capital funding from the existing Housing NZ borrowing facility for Community Housing Providers to access.
- Progress a rent-to-own or shared equity scheme.
- Address the State Housing waiting list.

## What is the problem – how have we got here?

As recently as 2002, the average house in New Zealand cost just three times the average household income. This level was similar to house price ratios in Australia, the United Kingdom and United States. This has now risen to be over seven times the average household income nationally and almost 10 times in Auckland.

House prices have risen for two reasons.

Firstly, interest rates have steadily fallen. In 2002 a typical mortgage rate was 7.5 per cent. Mortgage rates at our big banks are now 2.5 per cent. As rates fall, people can afford to pay more for a house. For people who already own a house it is cheaper to service a mortgage now than it was 18 years ago (compared to income).

However, challenges arise for those needing to gather a deposit. In 2002 a house could commonly be purchased with a 5 per cent deposit, meaning savings of \$13,000 were



needed to buy the median house. Today a 20 per cent deposit is generally needed, increasing the savings required to \$184,000.

This increase locks many families out of the housing market.

But falling interest rates can't increase house prices by themselves. In an efficient and competitive market, the price of goods closely matches the cost of producing them. For a house, this would be the cost of the land, infrastructure and building costs. For example, interest rates have fallen in the United States too, but housing prices compared to incomes have hardly risen. Christchurch is another example where, despite falling interest rates and rising populations since 2013, house prices have remained relatively stable.

Only when supply is constrained or limited will falling interest rates drive a rapid increase in prices.

In New Zealand supply of housing is constrained by our town planning rules.

If we let this situation persist, and with interest rates once again falling in response to a global economic crisis, we risk seeing house prices inflate once again. National doesn't want to let this happen – there is a better way.

## What works – what have we done before?

### Special Housing Areas (SHAs)

Much of the housing coming on stream now in places like Auckland is thanks to the previous National Government setting up Special Housing Areas. These enabled the streamlining of new housing developments, and allowing large areas of land to be designated for building under accords between the Government and the local council.

The policy accelerated the supply of land in areas where housing supply and affordability were major issues. By streamlining the consenting process, Special Housing Areas were able to speed up the development of

housing in Auckland, Wellington, Christchurch, Queenstown, Hamilton, and the Bay of Plenty.

In Auckland, 154 Special Housing Areas were created, which by 2017 covered an estimated 63,000 dwellings once fully developed.

### Urban Development Authority

The Labour Government allowed the SHA legislation to lapse, meaning no new SHAs could be established. They instead advanced the Urban Development Authority (UDA), following on from work also begun by National. The UDA empowers the Government to take further responsibility for managing development, which can be effective, but is simply one tool amongst many needed to deal with the current housing pressures across the country.

The UDA also has the power to compulsorily purchase private land to speed up development.

### Christchurch rebuild

In 2010 and 2011 the Canterbury region was hit by a series of powerful earthquakes, including a 7.1 magnitude quake on September 4th 2010 and a devastating 6.2 magnitude quake on February 22nd 2011. In addition to the lives tragically lost, around 16,000 houses were severely damaged and another 160,000 or so needed repair.

There was widespread fear of a rapid increase in house prices as thousands of people were looking for houses at the same time. A joint 30 year plan by the Christchurch, Selwyn and Waimakariri councils was at the time in the Environment Court.

The National Government responded by pulling the plan from the Environment Court and approving it. National also required that all 30 years of planned growth be zoned for housing right away, rather than be released slowly. Further, requirements to build infrastructure before land is made available for housing were relaxed, allowing the councils to complete infrastructure work alongside or after houses were constructed. And finally, as Christchurch City consenting authority

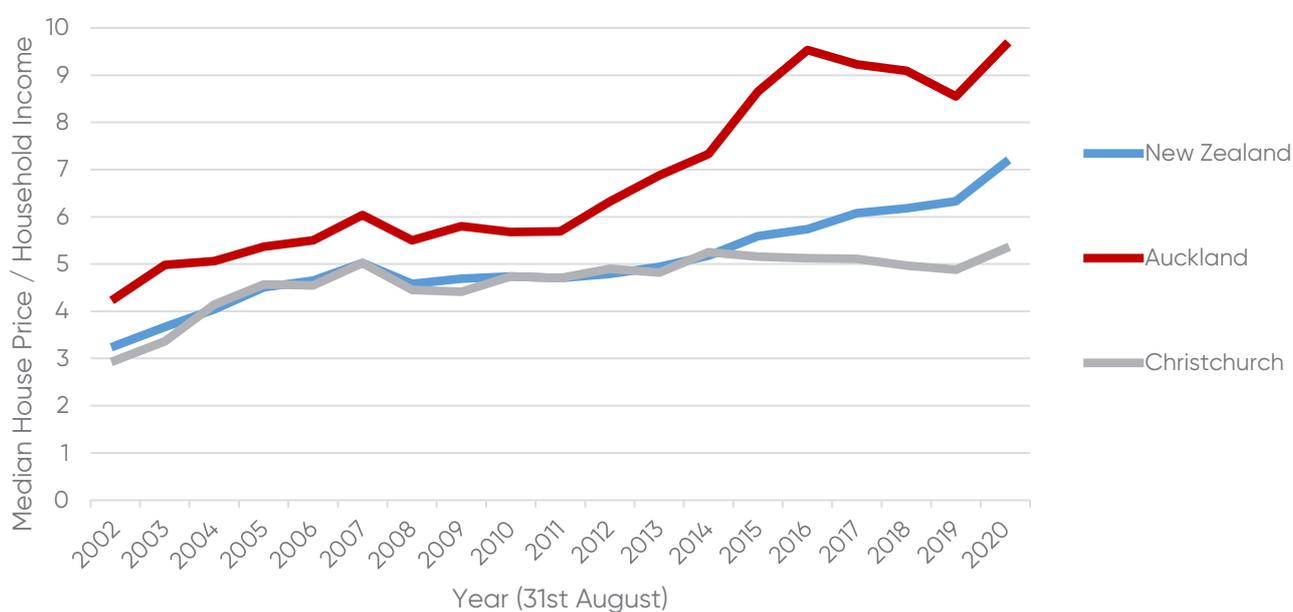


was overwhelmed with consent applications, resource consenting was streamlined and house builders were able to apply to councils other than Christchurch which had capacity for processing their applications.

The result was remarkable. Between 2014 and 2019, housing affordability, despite the massive loss of houses, improved in Christchurch while it continued to decline in the rest of the country. Planning powers were given back to Christchurch in early 2019 and since that time affordability has once again started to decrease.

In hindsight, the changes National made to the RMA in the wake of the Canterbury Earthquakes serve as a useful demonstration of what can be done to reign in house prices with changes to planning rules.

## House prices compared to incomes in New Zealand



Source: Interest.co.nz <https://www.interest.co.nz/Charts/Real%20estate/House-price-to-income>



## National's plan

National has an immediate and a long-term plan for housing.

In the long-term, we must repeal the RMA and replace it with legislation that better allows more houses to be built.

In the short-term, we think the whole country is now in a state akin to Christchurch's housing market in 2011. Housing affordability is rapidly deteriorating and the Reserve Bank has dramatically cut interest rates in response to Covid-19, leading to a significant risk house prices will rise once again and affordability will further worsen.

We will apply the approach we applied to Christchurch across all of New Zealand.

## Our immediate plan

National will pass emergency legislation in our first 100 days similar to what we passed for the Christchurch rebuild, for the whole of New Zealand.

This will:

- Require Councils to immediately open up 30 years' worth of growth for urban development in Tier 1 and Tier 2 urban areas.<sup>1</sup> This could be green fields land zoned for residential, urban land zoned for density, or both. The council would retain the ability to decide the mix, but the Government would control the volume they must zone.
- Suspend the appeals process so district plans can be completed right away.
- Suspend requirements for infrastructure to be built prior to zoning. If we have 30 years of land zoned for apartments or town houses, it will give people choices on where they add density. Infrastructure can be built as density is built (if necessary).
- Streamline the resource consenting process, including allowing any district council to consent any application.

It is important to note this change increases choices for Kiwis. Without regulation, land owners would be able to build houses or apartments on their land. Zoning regulations prohibit what can be done where. Our policy allows local authorities to continue to zone land for different purposes, but requires that these limits allow for necessary urban growth – not just for the immediate future – but for the next 30 years.

At present, where councils only incrementally zone small amounts of land for growth, it means density and outward growth must occur where councils decree. This results in land banking. It also forces particular types of housing on some communities, such as apartments. If only a small amount of land is zoned for apartments, developers will bid up prices in the chosen community until apartments are built.

People may fear that these zoning rules will mean apartments in areas with character houses. We believe our approach will actually provide more opportunity for areas of high character to remain in housing as developers will have more choices for where they wish to invest in density. Having more land zoned for growth means land owners and communities can choose not to urbanise or increase density as density is free to occur elsewhere.

Most of all, this approach will improve housing affordability. It will mean your children will have the same opportunity you had to purchase their own home to raise their own families.

## Infrastructure

The COVID-19 Recovery (Fast-Track Consenting) Act allows fast tracking of infrastructure projects in response to Covid-19. National supported this legislation.

The Act allows projects approved by the responsible Minister, within certain criteria, to be considered by a fast tracked expert consenting panel. Instead of giving public notice for consent applications, the panel will invite comments on the application from a listed group of organisations or invited persons

<sup>1</sup> This is the following urban areas (each urban area may cover more than one local authority): Auckland, Hamilton, Tauranga, Wellington (including Hutt City, Porirua and Kāpiti Coast), Christchurch, Whangārei, Rotorua, New Plymouth, Napier Hastings, Palmerston North, Nelson Tasman, Queenstown and Dunedin.



and organisations. These organisations have 10 working days to provide comment. The panel is required to issue its decision on the resource consent application within 25 working days.

The COVID-19 Recovery (Fast-Track Consenting) Act is scheduled to lapse on 8 July 2022. National will amend the Act so that it applies right through until we are able to repeal the RMA.

The Act already allows the Minister to approve projects that support housing and economic growth for fast track consenting. National will use this ability to fast-track consent new infrastructure projects to support housing developments.

National's National Infrastructure Bank will support local authorities to finance the infrastructure they need for urban growth.

#### National will:

- Utilise the COVID-19 Recovery (Fast-Track Consenting) Act to consent infrastructure for urban growth.

Q. What happens if a council doesn't have the infrastructure for zoning residential land?

A. Councils will have a choice of whether to zone new housing subdivisions or allow greater density – 'going up or going out.' If a council is not able to zone new rural land for housing due to infrastructure constraints, they will need to zone greater density within their existing urban area.

Note that the demand on the central city infrastructure won't occur right away. There is a lag time between when the land is zoned and when density occurs. Councils will need to use this time to deliver infrastructure, using the National Infrastructure Bank if necessary. This is in line with National's approach of moving away from building infrastructure 'just in time.'

Q. How is this different from the recently passed National Policy Statement on Urban Development 2020?

A. The National Policy Statement on Urban Development (NPS-UB) takes some similar measures, but it doesn't go far enough.

- The NPS-UB requires new development to be infrastructure ready, limiting the ability of councils to open up large amounts of land for density and development
- The NPS-UB requires district plans to zone 10 years of growth with an additional 20 per cent 'competitive margin' (similar to 12 years of growth). Our policy would go much further requiring a full 30 years of growth. This is what is needed to flip the scales in favour of developers and away from land bankers.

## Repealing the Resource Management Act

National will repeal the RMA in our first term and replace it with an Environmental Standards Act and a Planning and Development Act. These will deliver clarity and speed rather than the present murkiness, expense and delay.

The Resource Management Act manages physical resources such as water and air and human resources like amenity, heritage and character. National believes we need separate frameworks for the physical and human environment.

Legislation for the physical environment needs to set clear rules and standards. Rules should ensure we avoid environmental harm by regulating activities like discharges to water and air.

The human environment in many ways is more complicated. A new housing development may impact the amenity and character of an area, but it also improves access to affordable housing. These two human values need to be balanced against each other.

At the moment the RMA protects concerns on amenity and character too stringently, at the cost of more affordable houses for New Zealanders.



A case in 2018 provides a good example. Auckland Council's development arm, Panuku, wanted to build a 102 apartment development on Dominion Road. This is the same Dominion Road that Phil Twyford's light rail is planned to go down, in part to drive urban intensification. The council rejected the proposal as it would have "adverse visual effects to nearby properties" and was "Out of character with the surrounding area." Ratepayer funded Panuku then spent \$570,000 appealing the ratepayer funded council decision.

How can any apartment block hope to avoid "visual effects on nearby properties"?

These are the signs of a broken RMA. Consideration is provided to visual effects and character, but not the ability to reduce housing costs. There is no provision in the RMA for managing urban growth.

National believes that urban planning legislation needs to have more of a development focus. Frameworks must allow human needs, such as the need for housing and the need to move around, to be balanced against any potential amenity, character or heritage values.

A city is not a museum, it has to be lived in. We must allow cities to develop or we risk beautiful cities that people can't afford to live in.

#### National will:

- Repeal the RMA.
- Replace it with separate legislation for the physical environment and urban planning and development.

## Freeing up Government owned land

National supports the provision of affordable housing through HLC, the former Hobsonville Land Company. HLC redevelopments generally take older, rundown state houses on large sections and replace them with three times

the number of warm dry homes, increasing the total number of dwellings by a factor of about three. Building sector participants are required to build one third state houses for the Government, ensure that one third of houses are sold at affordable prices (with price caps that are the same as the KiwiBuild price caps), with the final third able to be sold at market price.

When Labour came to office, they were informed that HLC's Auckland Housing Programme was on pace to deliver 11,500 state homes and 12,800 affordable and market homes.<sup>2</sup> Labour has shifted the affordable housing from the Auckland Housing Programme into its KiwiBuild programme – effectively rebranding them and claiming credit. HLC has now been incorporated into Kāinga Ora.

National will continue developments undertaken by HLC to redevelop government owned land. It is a building programme we initiated and it has a proven track record. It is a far more successful programme for delivering affordable housing than Labour's KiwiBuild. National will redevelop underutilised government owned land to allow for greater housing density and more affordable homes.

#### National will:

- Redevelop Government owned land to increase the housing supply.
- Continue the development model undertaken by HLC with a percentage of the houses priced at affordable levels.

## Help Kiwis into Homes

National is the party of home ownership. National is committed to ensuring all New Zealanders have the opportunity to own their own home which sits alongside our commitment to strong families and healthy communities.

National believes good homes strengthen families. A home is not simply a place to live,

<sup>2</sup> <https://www.beehive.govt.nz/sites/default/files/2017-12/Housing%20New%20Zealand.PDF>



but where relationships are fostered and developed – both as family but also into the wider community. We will ensure that New Zealanders who want to own their own home see a path to do so.

Labour promised to deliver a rent to own scheme in 2017. Three years on, scant progress has been made. \$400 million has been allocated by the Government for a shared equity scheme.

National believes state housing tenants who have a good track record should be able to buy the house they live in. We will allow state tenants to participate in a shared equity scheme. This will utilise the money the Government has already allocated to a shared equity scheme.

#### National will:

- Support those able to enter the private market to do so, through our existing KiwiSaver HomeStart programme, and Welcome Home Loan Programmes.
- Enable state tenants to buy their homes through a rent to buy or shared equity scheme.

## Improving the rental market

National will improve the rental market to encourage supply, and to keep improving the stock of rental houses to ensure that every Kiwi has a warm dry home.

Everyone deserves a warm dry home whether they are owners or renters. National supports the Healthy Home provisions to ensure that rental properties are warm, dry and safe.

But we will simplify the regulations so it is easier for landlords to comply. Simplifying these rules will stop pushing good landlords out of the market and ensure that sufficient rental properties remain in the market to house renters.

We do not agree with Labour's changes to the Residential Tenancies Act. These rules make it virtually impossible for a landlord to move a troublesome tenant on from their property. The rules also limit a landlord's ability to stop

a tenant undertaking a "fixture, renovation, alteration, or addition" to a house.

Labour has also extended the bright line test, removed the ability of landlords to ring fence losses and campaigned on a capital gains tax.

All of these changes drive landlords out of the housing market making it harder for renters to find affordable accommodation. Average rents increase by \$50 per week for a renting household – \$2500 a year – since Labour formed Government.

#### National will:

- Support the Healthy Homes provisions to ensure everyone has a warm dry home. We will simplify the requirements to make it clearer and simpler for landlords to comply.
- Remove ring fencing of rental losses for tax purposes.
- Move the bright line test from five years back to two years.
- Repeal the Residential Tenancies Amendment Act.

## Housing support for the most vulnerable

National is committed to supporting the most vulnerable New Zealanders and helping them to lead better, more independent lives. National is committed to building more social houses and believes working more closely with the community sector will allow more houses to be built, faster, and with wider social support.

Social housing is a vital part of that and we are investing to ensure people who need housing support from the Government get it, whether it is a bed for the night, support to rent in the private market, or ongoing social housing. We will ensure we wrap the right kinds of tailored support around those who need it, so we can address the underlying causes of dysfunction – be it health or addiction issues or trauma.

National will partner with a wider range of community housing providers to ensure local solutions to local housing challenges that



support people to move from taxpayer-funded housing into private rental housing.

#### National will:

- Enable Community Housing Providers to build more social houses through setting aside \$1 billion of capital funding from the existing Housing NZ borrowing facility for Community Housing Providers to access.
- Continue to support Housing First to move people off the streets and into warm, dry accommodation.
- National will implement a “remind, remedy, remove” three strikes system for anti-social behaviour in social housing, and strategies to address methamphetamine use particularly when children are involved.
- Introduce a target to reduce the time it takes to house priority clients on the social housing register.

National remains committed to building more social houses and believes working more closely with the community sector will allow more to be built, faster, and with wider social support.

National will partner with a wider range of community housing providers to ensure local solutions to local housing challenges that support people to move from taxpayer-funded housing into private rental housing.

National will engage with community housing providers and help more people into appropriate accommodation or their own home. The community housing sector has indicated a willingness to do more but needs better support from Government.

#### National will:

- Empower Community Housing Providers to build more social housing.
- Help rural and provincial communities without access to a Community Housing.
- Progress a rent-to-buy or shared equity programme through community housing providers.

## Addressing the state housing waiting list

In order to qualify for state housing applicants must fall below income and asset requirements. These requirements vary depending on the number of dependent children some

It is common that someone may qualify for state housing and then later, over the course of their lives, gain access to new employment that sees their income increase or see dependent children leave home. Both of these situations may see someone in a state house no longer qualify for a state house.

Labour passed new rules that allowed state housing tenants who had children under the age of 18 or where one or more tenants were over 65 to keep their state house, even if they no longer qualified.

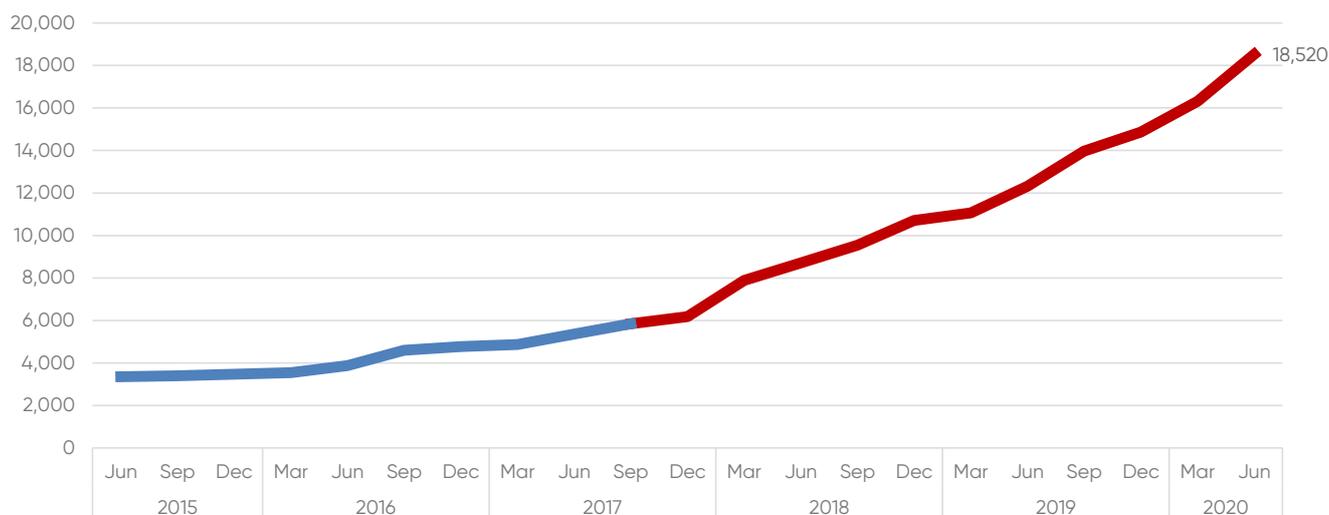
This meant that there were much less people leaving state housing. As the number needing state housing was the same, or even greater, predictably the state house waiting list increased. This is not a fair outcome: while people who no longer need state assistance get to keep their house, those who really need help are stuck on an ever expanding housing que.

#### National will:

- Reinstate public housing tenancy reviews.



## State Housing Waiting List



Source: <https://msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/housing/2020/housing-register-june-2020.xlsx>

### Building and consenting

National will allow building materials which are approved in comparable countries to New Zealand to automatically be approved for use in New Zealand. Countries would need to have similar climate demands and economic conditions to New Zealand, for example, Sweden, Ireland and the United Kingdom.

Many councils are slow to process consents and issue Code Compliance Certificates. We need to standardise the consent process across all councils. We have 67 councils, many operating their own bespoke IT consenting systems with little technical innovation to assist the building inspection process. We need to speed up that process and reduce the time it

takes to issue certification. This could involve greater use of electronic verification of completed works.

Councils often struggle with hiring and retaining good staff, particularly in the area of consenting.

It does not make sense for local authorities to be operating 67 different building consent processes. National will investigate the centralisation of building consenting through a central government organisation. We will also allow licensed private operators to perform

building consents and issue Code Compliance. Private operators will be personally liable for work and be required to have indemnity insurance.

National will also address the current joint and several liability consenting authorities presently face. Where two or more parties are liable for the same loss or damage to another party, because of separate wrongful acts, the joint and several liability rule holds both or all of the wrongdoers 100 per cent liable for the loss caused.

This means that if a building company has been dissolved when a defect is found, the consenting authority is liable for 100 per cent of damages.

We will investigate removing this rule and applying a maximum 20 per cent liability on the consenting authority. In such a case this would require builders to be personally liable for their work and purchase indemnity insurance for work completed.



### National will:

- Automatically approve building materials approved in similar jurisdictions
- Work to centralise the Building Consent process.
- Address the Joint and Several Liability issue.

## Fiscal implications

	2020/21	2021/22	2022/23	2023/24	2024/25	Total
Reduce bright-line test to 2 years	-	-	-	50	50	100
Repeal ring-fencing of losses on residential property	-	-	-	190	190	380
<b>Total</b>	0	0	0	240	240	480