Christchurch City Council – Barrier to Christchurch Central City Residential Development

Statement of Work: DCL 07

Commercial in Confidence

The purpose of this report is to: identify options and opportunities to improve the feasibility of and encourage central city residential development in the short to medium term (next three years, and next three to ten years).

Version number: 10.0

Document Acceptance and Release Notice

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We support the accuracy and content of this Feasibility Report and endorse it as a valuable and necessary initiative to be put forward to the Executive Team for prioritisation.

	Name	Role	Signed	Date
Drafted	Richard Wall/Julian Ellis	Commercial Manager		17/6/19
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Accepted	Rob Hall	Chief Executive		19/6/19

Executive Summary

Christchurch City Council (Council) has requested Development Christchurch Limited (DCL) provide advice on barriers to the development of residential dwellings within the central city. This area is bordered by Bealey, Fitzgerald, Moorhouse and Deans Avenues. A substantial residential population is deemed critical to achieving a successful and vibrant central city and the Council have set a goal of 20,000 people by 2028.

For the purposes of this report mechanisms and incentives are split into those that influence supply and those that influence demand. Supply mechanisms and incentives are deemed to benefit the developer. Demand mechanisms and incentives are deemed to benefit the purchaser.

The first objective of this report is to identify current Council mechanisms and incentives which aid residential development in the central city. This was achieved through a mix of desktop analysis, discussions with Council staff and interviews with private sector developers.

Secondly, this report looks at offerings across New Zealand and other cities around the world. It is noted that even within New Zealand other Councils are more aggressive in their promotion of residential development within specific areas of their cities. For example, Porirua City Council offer:

- 100% waiver of development contributions
- 50% waiver of building consent fees
- A rates waiver for five years following practical completion
- No resource consent fees for pre-application and processing

With regard to both supply and demand, confidence is an issue which affects:

- The supply of high-quality central city residential housing options
- The number of residents living in the central city
- Investor participation due to perceived low returns

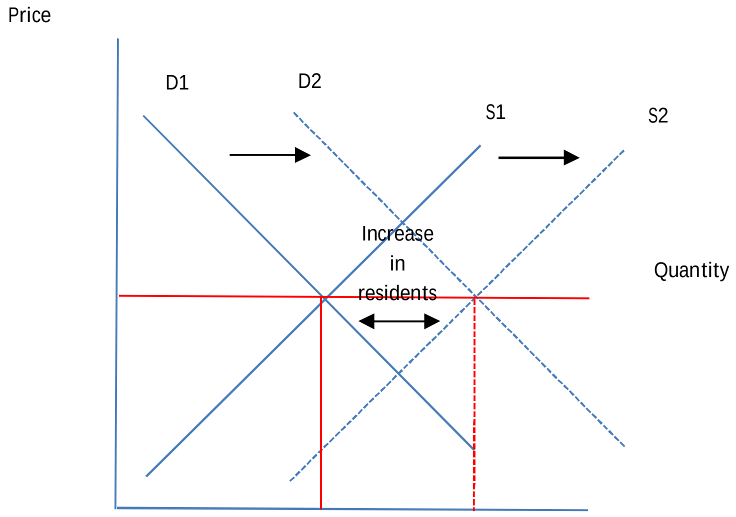
As a case study five developers, delivering varying product across the city were interviewed using a common set of questions. Common themes regarding barriers to residential development in the central city were as follows:

- Lack of central city amenity - residents currently don't have a reason to move into the central city
- Cleanliness and the standard of maintenance
- Perceived low police/security presence and areas yet to be demolished/repaired raise concerns as to residents' safety
- Development feasibility is impacted by the high cost of land and construction
- Permitting land to be used as at-grade car parking means the supply of developable land is reduced

Recommendations

It is important to focus on the mission being 20,000 people within the central city by 2028.

To that end, clear resolve needs to be adopted to move both supply and demand curves to create the necessary volume of residents within the locality.



Supply – Existing and New Developer Incentives

The Development Contribution rebate scheme scored well. The issue seems to be a pain point for developers. There are two ways to consider it. A standard central city development contribution of $22K as against an affordable end product of $450K to $550K does not seem to be significant. However, in the context of a profit and risk margin for the developer of 20% being $90-$110K, not having to pay development contributions has a large effect on the profitability of the project. The development contribution rebate scheme seems to be effective and it is recommended it is resourced and continued beyond its current timeframe.

The other mechanisms currently employed: exemplar projects, consent reform and amenity projects under the Cost Share Agreement have been less effective. Regarding consenting reform, consensus is Council has improved to a point where the consenting process is not considered daunting or a significant barrier to development.

Regarding exemplar projects it is suggested public entity involvement in property development for the private market is haphazard and risky for a variety of reasons. Potentially there are better ways for the Council to achieve the same outcome by partnering via a joint venture process with reputable private developers to leverage commercial knowledge and networks held by those operators. The current difficulties regarding the central government's Kiwibuild program support this view.

The amenity projects under the Cost Share Agreement will prove to be important and significant long-term. Because they are long-term and the focus of this paper is at the shorter end of the scale they can be regarded as a constant. However, anything that shortens the delivery time would be valuable as the lack of amenity is consistently cited as a reason for low demand for central city housing.

In terms of new incentives to increase the supply of dwellings the shortlist, in rank order, based on multi criteria analysis is as follows:

Supply Mechanisms and Incentives		
Initiative	MCA Score	Comments
Development Contribution Rebate Renewal	84%	Scored high and rated highly amongst the development community. This is clearly effective. Review of the existing scheme is recommended, with a view to extending the timeframe and resourcing. This is subject to Council resolution this action is in the best interests of all rate payers, as ultimately it will be the rate paying public asked to fund the incentive.
Public/Private Joint Venture	81%	Scored highly and is suggested to be superior to exemplar projects. Because of the way transactions can be structured it would give Council some strong, direct control with the ability to activate strategic sites which would otherwise be ignored by the development community due to funding difficulties.
Pre-Application Advice Discount (incorporating building consent fee discount and streamlined consenting)	77%	Scored well and would potentially be very effective because of the stage of development it applies to. It is clear developers are sensitive to upfront and unrecoverable costs. Pre-application advice is such a cost, were it free it would be an incentive to investigating feasibility for projects which are not obvious opportunities.
Street Amenity (localised)	73%	This scored well, this is considered useful but not powerful in terms of effectiveness.
Loss on Sale	70%	This is similar to the joint venture idea but scored significantly lower. It would likely be very effective because it significantly reduces downside risk and would probably result in a specific project being “green lit” in terms of funding sooner.
Cooperative Land Trust	66%	This scored relatively low. As a rule purchasers and lenders are hesitant when it comes to leasehold property. This is effectively leasehold on a not-for-profit basis. Potentially it could be effective but there would be some resistance from the banking sector and possibly require a significant sales and marketing exercise to make it attractive to the public.

The above should be considered in rank order and additional items adopted until the required supply pipeline is filled to deliver sufficient housing options within the area by 2028. A strong degree of oversight and forecasting is required to track not only consented but “live” projects (funding, presales and building consent).

Demand - New Incentives

Currently, Council does not offer demand based incentives to incentivise purchasers. In terms of building demand to match the newly created supply the same rationale applies in terms of the multi-criteria analysis:

Demand Mechanisms and Incentives		
Initiative	MCA score	Comments
Rates Remission	76%	This incentive makes it relatively cheaper to live in the central city thereby creating more disposable income and increased lifestyle. It is expected this would be reasonably effective given a lot of purchasers will be younger people with modest discretionary income.
Government Backed Loans/Tenancy Underwrite	71%	Government backed loans could be a powerful incentive but would require significant engagement from the banking sector. Underwritten tenancies would allow people with impaired credit or other impairments to obtain tenancies in higher quality properties than perhaps they would otherwise be able to. This increases tenant demand and therefore landlord/investor purchasers.
Shared Equity	70%	This would likely be a powerful mechanism. With less money borrowed the servicing hurdle associated with the loan is reduced. This is one way of overcoming the relatively high price point of central city relative to the surrounding suburbs.
Transport Related Incentives	67%	This is similar to rates remission and by introducing car sharing/car alternatives it means residents of the central city can be single car households or even without a car altogether. This in turn creates more disposable income.

A supply of dwellings eligible for Home Start, Kiwi Saver withdrawal and Welcome Home Loans are important especially to first home buyers who are likely to be younger and more likely live their lives in the central city. Council should bear this in mind when considering specific sites for activation particularly via joint venture or underwritten loss on sale.

Purpose and Methodology

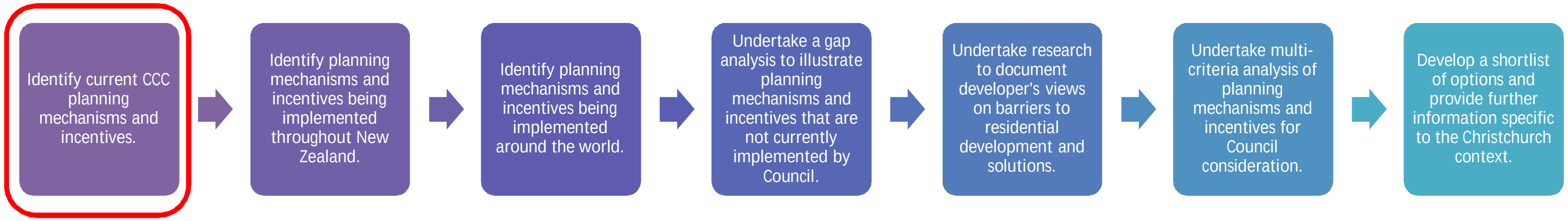
Central city housing is now being demanded among a wider spectrum of city interests. The Council is working on a housing programme to support this. The first step is looking at existing tools and mechanisms which are underutilised, before considering further options which can serve as a catalyst for the delivery of quality housing. An important area for exploration is the role partner agencies can play e.g. legislative tools and quasi-market freedoms.

The Council is simultaneously working to understand residential development capacity throughout Christchurch through a separate piece of work. Part of this is assessing the deliverability of land for housing from the perspective of the developer.

The purpose of this review, as defined by Council staff, is to identify opportunities to improve the feasibility of central city, residential housing development in the short term (next three years) and medium term (three to ten years). To achieve this Council staff have prescribed a methodology and a set of deliverables, which are attached as Appendix 1.

This report follows the process outlined in the diagram below:

1. Christchurch City Council – Planning Mechanisms and Incentives



The following section outlines planning mechanisms and incentives designed by the Council to improve the feasibility and encourage residential development in the central city. The information has been sourced from Council staff.

Development Contribution Rebates	Background	The Development Contributions Policy seeks to have developers fund a fair share of the cost of infrastructure and reserves that cater for growth. The Council tries to ensure development contributions are set so development is not deterred but additional costs are not borne unfairly by the current rate paying community. The Council recognises that in some situations there is a significant benefit to the wider community from development. It can be appropriate for the wider community to provide partial or complete development contributions. A Development Contributions Rebate Scheme will only be considered where there is a benefit to the wider community. For example, to encourage faster or larger development. Rebate schemes should not be used solely to address issues of affordability for the developer. Affordability for developers is considered by the Council when adopting its development contributions policy.
	Description	The Council's rebate scheme is specific to within the four avenues of the central city (the area bordered by Bealey, Fitzgerald, Moorhouse and Deans Avenue). 100% of development contributions for developments are eligible for rebate under this policy. The maximum rebate for a single development is $1m. A single development includes all staged development components. Initially, the total funding available under this scheme was $10m. This was later increased to $20m in 2015. When funding is exhausted, no further rebates will be available unless specifically provided for by the Council. The rebate policy is effective from 1st July 2015 for five years (until 5pm 30th June 2020) or until the rebate fund is fully allocated.
	Effectiveness	For the purpose of this report, effectiveness is defined by: • Private sector developer opinions. Specifically, as to whether the development would have proceeded • The number of households those departments created Metrics regarding uptake as listed later in the report.

		A map illustrating sectors of the central city has been developed (north, east, south, west and central). This utilises information provided by the team responsible for administering the rebate. The information is attached in Appendix 2. The map highlights the scheme but has not targeted any specific sector in the central city, which is in line with current policy settings. A substantial part of the fund is allocated to consented projects which are yet to pass their first building inspection. DCL has been provided with a list of these developments and is of the view there is a risk these rebates are being held/banked against proposed developments that will not progress. Also, as developers assess land using a residual value approach (as opposed to market), the removal of this cost could be inflating/underpinning land values in the central city. Several developers were of the view their developments would likely not have progressed if the DC rebate scheme was not in place. These developers were all delivering a product in the $400k-$600k price range. Whilst developers delivering a higher end product were complimentary of the scheme, none of these developers advised their respective developments would not have progressed if the DC scheme was not in place. In its current form, the rebate policy and its effectiveness should be reviewed in detail. It would be beneficial if a more targeted approach could be adopted which encourages the development of specific housing products that create a vibrant and active central city. In addition, as the policy is an incentive designed to increase supply, the Council should consider whether the same outcome could be achieved through a demand incentive (i.e. general rates rebates).

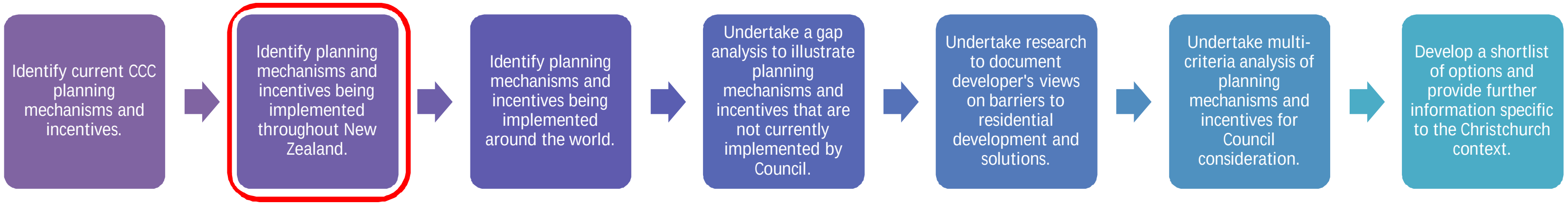
Land Use Recovery Plan – Exemplar Projects	Background	The Land Use Recovery Plan (LURP) outlined a requirement for the Council to enable a range of exemplar, medium-density, housing projects, including design and testing of projects at: • Bryndwr and Shirley by Housing New Zealand Corporation • Riccarton Racecourse by Christchurch Racecourse Reserve Trustees • Halswell, being the first stage of a greenfield priority area by Spreydon Lodge Limited
	Description	The purpose of Action 8 is to support the efficient delivery of high-quality new housing, with a clear emphasis on affordability, to meet more diverse demands within the housing market. These developments can help relieve housing market pressures in the short term recovery period as well as setting standards for building more efficient, affordable and vibrant communities.
	Effectiveness	Without the detail behind why certain sites were selected, this report considers the central city has missed an opportunity in terms of a medium-density scheme in the central city. An exemplar project led by Council, demonstrating a high-quality (potentially mixed-use) development would have provided the market with a good indication of the Council's commitment to the central city, as well as providing an affordable product and boosting central city numbers.

Building Consent Reform	Background	In July 2013, the Council's accreditation to grant building consents was revoked following an audit conducted by International Accreditation New Zealand. The audit found 17 failings in the way the Council performed its building control functions.
	Description	Council regained its accreditation to grant building consents in December 2014. Council has since implemented the Partnerships Approval Programme (PAP). The PAP seeks to match developers with a Council Case Manager to help them navigate the consent application process. This report considers that the PAP has the opportunity to improve the feasibility of and encourage central city residential housing developments. For the most part, this is through its ability to remove negative risk perceptions that have historically surrounded the Council's consenting processes and acted as a barrier to residential development.
	Effectiveness	Developers who operated within the central city both pre and post-quake advise the view amongst the development community is that the Council's consenting processes have significantly improved. Several developers said the consenting process was no longer considered an impediment towards progress, especially with the inclusion of the PAP. This report has not sought to review the building consent process in its entirety or progress in addressing the 17 failings identified in the way the Council performed its building control functions.

Cost Share Agreement	Background	The Cost Share Agreement (CSA) between the Crown and Council was designed to: • Address material impacts to the central city's built form as a result of the earthquakes • Address legacy issues relating to the quality of building stock • Address issues relating to the lack of central city investment, both commercial and residential Part of this was the construction of several anchor projects which were meant to replace civic assets lost in the earthquakes. It was intended these would provide a high level of public amenity to support residential development.
	Description	In the CSA, the East Frame Residential Project is the major anchor project designed to increase the population in the area. Pursuant to the CSA, the East Frame was initially designed to include 900 new apartments and terraced townhouses. The project had a forecast completion date for the first stage of mid-2017. Fletcher Living was named as the chosen developer in 2015. The whole project is now forecast to be finished in 2026, housing more than 2000 residents on five city blocks.

		In addition to the East Frame, key central city projects to be undertaken are as follows: • Convention Centre • Metro Sports Facility (MSF) • Multi-Use Arena (MUA) • Bus Interchange The CSA set out forecast completion dates, however, these have been revised over time.
	Effectiveness	Whilst the Bus Interchange is complete and the Convention Centre is underway, progress on the MSF and MUA has been slow. These civic assets were to provide the requisite level of public amenity to create a vibrant and thriving central city in which Christchurch residents would choose to live. Every central city developer interviewed noted lack of progress regarding anchor projects as a major contributor to slow residential development in the central city. Focusing on progress, from a built form perspective, the CSA has not been an effective tool in promoting residential development in the central city. The lack of progress creates a disincentive for developers to build and the purchasers to buy.

2. New Zealand Councils – Planning Mechanisms and Incentives



The following section outlines planning mechanisms and incentives that are being implemented by Porirua and Wellington Councils. Other Councils were also researched but provided only similar mechanisms and incentives, for this reason, they have not been included in this report.

Mechanisms and incentives that the Council are currently implementing have not been included in this section. This section of the report does not seek to gauge the effectiveness of the planning mechanism or incentives provided by the respective Councils.

Porirua City Council

Porirua housing stock quality has been in decline in recent years. Diminishing social housing availability, population overflow from Wellington and largely variant income levels between suburbs has seen housing options deteriorate.

The Porirua City Council (PCC) website estimates:

- 20% of children live in overcrowded housing
- 25% of residents live in damp/mouldy conditions
- Nearly a third of residents have problems sustaining heating costs over winter months

Faced with the declining availability of quality housing and increasing resident health problems, PCC has been actively incentivising residential development in the region to revitalise the CBD and bring quality, affordable housing to residents. Implemented in July 2015, the Porirua City Centre Residential Incentives Policy provided a myriad of cost reductions for residential developers in the CBD to actively promote affordable, quality housing construction and mixed-use commercial spaces.

Incentives include:

- No resource consent fees for pre-application and processing
- A 50% reduction in building consent fees
- A rates waiver for 5 years

- Residential developments within the central city pay residential rates rather than commercial/business rates (i.e. removing the rates differential)
- Underwriting prospective loss on sale to facilitate residential development and achieve specific outcomes

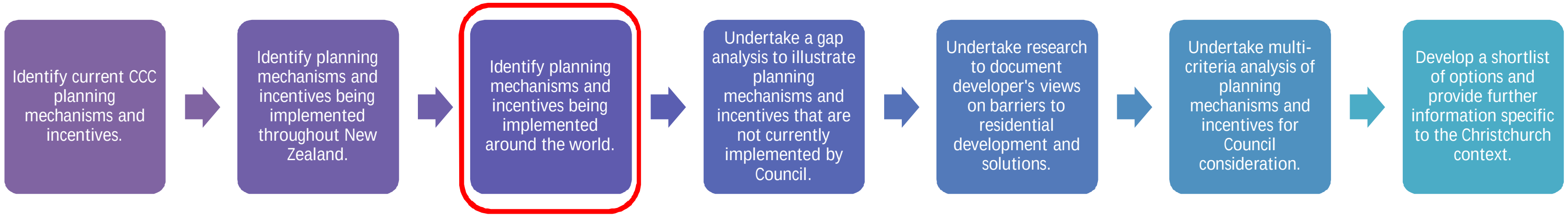
Incentive	Type	Description
No Resource Consent Fees for Pre-application and Processing	Financial	In Porirua's central city, within a defined zone, resource consent fees for residential development are waived. However, within this zone, PCC has excluded certain street frontages to concentrate and target certain areas for maximum benefit.
50% Reduction in Building Consent Fees	Financial	Developers applying for residential building consents, subject to criteria and within the prescribed zone are eligible for a 50% rebate on building consent fees. This was implemented by PCC in an effort to de-risk the building consent phase and increase certain types of desired residential development.
5 Year Rates Waiver	Financial	This incentive aims to increase demand for these residential developments. However, it may benefit both the consumer and the developer as part of the savings could be added to the purchase price by the developer.
Underwritten Loss on Sale	Financial	The City Centre Residential Incentives Policy incentivised the development of an apartment block with 43 units. This development resulted in a loss on the sale of over $300,000 to the Council. The outcome was acceptable because it stimulated investor interest in the CBD. Long-term there is some recovery in the form of increased rates that would not have been generated otherwise.

Wellington City Council
At the beginning of 2018 demand for housing in Wellington, especially for rented property significantly exceeded supply. An estimate in February 2017 stated Wellington was 3,600 homes short of equilibrium. Wellington Council has implemented a Special Housing Area incentives scheme. This is where land deemed fit for housing is given development incentives to try and drive intensification and push supply. So far, WCC has created 5 tranches of SHA's with a total of 34 areas included. It has proven mostly ineffective, with the majority of SHA's lapsing without development occurring. Incentives included are: • Streamlined resource consenting • Waived pre-application meeting fees • Rates remission for greenfield developments • Council investment in key infrastructure and public space improvements surrounding developments

Incentive	Type	Description
Streamlined Resource Consenting	Financial	This incentive is to entice developers to work with the Council to provide housing. Making the process faster reduces development risk and ongoing costs.
Waived Pre-application Meeting Fees	Financial	Developers are eligible for a 50% rebate on building consent fees if: • Applying for residential building consents; which • Meet the eligibility criteria; within • A prescribed zone This was implemented by PCC in an effort to de-risk the building consent phase and increase the overall feasibility proposition of delivering a certain type of residential development.
Rates Remission for Greenfield Developments	Financial	This incentive aims to increase demand for these residential developments. However, it may benefit both the consumer and the developer as the savings could support a higher house price paid to the developer.
Infrastructure Investment	Financial	Same as above, reduction in rates to incentivise consumer demand for cheaper housing upkeep.
Rates Remissions	Financial	First home builders will receive a rates remission of up to $5,000 for a new residential dwelling within the boundaries of WCC. This application must be made after building consent code of compliance has been completed.

3. Global Councils – Planning Mechanisms and Incentives

The following section outlines planning mechanisms and incentives that are being implemented by various Councils and state/local authorities around the world. DCL has not sought to test the effectiveness of the mechanisms and/or incentives, except where information and data have been publically available.



<table>
<tr><td colspan="3">Westminster, London, England</td></tr>
<tr><td colspan="3">Like many other councils in England, Westminster provides development incentives for affordable housing developments. Much like London, other areas of the UK and multiple European countries, Westminster has an affordable housing mandate for new developments.

Incentives that are provided include:
• 100% development contribution fee recuperation over 10 years
• New Markets Tax Credits Program</td></tr>
<tr><td>Incentive</td><td>Type</td><td>Description</td></tr>
<tr><td>Development Contribution Rebates</td><td>Financial</td><td>See the summary on page 11</td></tr>
<tr><td>Tax Credit Programme</td><td>Financial</td><td>Trying to stimulate affordable housing developments in communities with the most need for it. This allows developers to receive tax rebates for residential developments within certain communities under a tax credit scheme.</td></tr>
<tr><td>Affordable Housing Mandate</td><td>Planning</td><td>Residential developments in Westminster are now required to include 30% of houses as affordable housing. The council has denied development consents to projects with plans that are in breach of this mandate.</td></tr>
</table>

San Mateo County, California and Moncks Corner, South Carolina - USA
Both of these towns are aiming to increase residential infill and density within the urban area.

Incentives that are provided include:
- Density bonuses for new developments
- Streamlined permitting
- Reduced/waived fees and contributions
- New Market Tax Credits

Incentive	Type	Description
Density Bonuses	Financial	To achieve infill and density outcomes, a higher subsidy/grant is given to developments that meet density aspirations. This provides further incentives for developers to create apartments and maximise units/square meterage.

City of Prince George, British Colombia, Canada

The objective here was not only to increase density, but also to incentivise the building of higher quality housing stock, due to the falling quality of rental and apartment properties.

Incentives that are provided include:
- Up to 10 years of tax exemption based on meeting adaptable housing standards and green space requirements
- Waiver of development contributions
- Lump sum grant
- Flexible zoning

Incentive	Type	Description
Tax Exemption	Financial	Provides developers with incentives to not value engineer exceptional quality out of the design. If the property meets the following criteria, then it is eligible: • Meets adaptable housing and design standards • Is over $300,000 of construction • Gives the units balconies or access to green space
Waiver of Development Contributions	Financial	See page 8 summary. However, in the city of Prince George, this is reliant on the property meeting low environmental impact measurements.
Lump Sum Grant	Financial	Aimed at increasing density, this lump sum grant is given on a per door basis for new multi-family developments constructed in the downtown area.

Flexible Zoning	Financial/ Planning	Flexible planned urban development zoning is available for sites that otherwise would not be suitable for mixed-use development. For single family housing units, further infill is allowed under the zoning with: • Secondary suites • Narrow lot housing • Further DC reductions available

Edmonton, Alberta, Canada		
Edmonton Council wanted to target the creation of mixed-use developments. There was a need for further intensification of residential properties that also served a commercial purpose on the ground floor. To do this the Council offered scaled reimbursement grants.		
Incentive	Type	Description
Reimbursement Grants	Financial	All residential and infill developments are eligible for reimbursement grants if they are within the city zoning. However, developments that provided residential accommodation on top of retail/commercial ground floor receive higher grants than full residential developments.

Other Consumer Demand Incentives		
The Council could adopt affordable housing strategies to lower the cost of housing in the central city and therefore increase demand for housing within the area. Common strategies include: • Shared equity and ownership • Government-backed loans • Long-term land leasing • Community land trusts (CLT) • Infill development through planning changes • Cooperatives or condo housing • Terraced living or shared driveway complexes • Conversion of vacant office space to residential apartments		
Incentive	Type	Description
Shared Equity/Ownership	Financial	Used to reduce the initial capital outlay required for consumers to purchase a home. This could incentivise city living by providing shared equity/ownership models within the four avenues for residential builds.

Government Backed Loans	Financial	The idea being if loans are underwritten by the government there is zero default risk and people who would not otherwise qualify for lending would do so at a lower interest rate. This would require significant engagement with the banking sector. If these loans were available only in the central city this would increase demand for qualifying housing which would spur development and population growth ultimately.
Long-Term Lease	Financial	One article concludes that by eliminating vacancy risk to the landlord, long-term leases reduce rental cost and improve the financial liquidity of the tenant. However, the loss of flexibility could also be seen as a disadvantage. The Victorian government planned to update the Residential Tenancies Act of the state to allow for a new standard tenancy agreement for rental leases longer than five years. Property managers and landlords are unlikely to offer such leases as it is likely circumstances will change in that timeframe. Additionally, most tenants will not want to agree to tenancies for longer periods. The Tenants Union of Victoria said that long-term leases may not increase security for the growing number of Melbourne renters.
Infill Development	Financial	Uplift property value and provide owners with a servicing income through additional tenants (e.g. small apartments above garages, increased height restrictions).
Community Land Trust	Financial	Providing the land for free (or much reduced cost) to a CLT who then owns the land with the properties on top being sold. This significantly decreases initial capital required to own the house and therefore provides a large incentive for families to occupy. This is effectively a not-for-profit leasehold model.
Cooperatives/Condo	Financial	These are American terms for what is similar to our Unit Title structure. In cooperative housing, instead of owning a specific unit, you own shares in a corporation/company which bring with them certain rights, such as the occupation of a specific unit. Unlike buying shares in a cooperative, when you buy a condo you purchase a real property; the space within the four walls of your home as well as part of the shared community. Condo owners pay fees in the form of dues to Homeowner Associations (HOA). Members of this HOA are elected from among the condo residents and are often collectively referred to as a Condo Board.
Terraced/Shared Drive complexes	Financial	These complexes aim to minimise space wastage. Terraced housing provides multiple houses on a smaller land area to reduce the purchase price. Common areas like driveways are shared as are other maintenance costs.
Conversion	Financial	In Toronto and London, both cities have seen planning changes to allow the conversion of office buildings to residential apartment complexes. This allowed for the removal of excess office space while simultaneously creating residential housing.

4. Christchurch City Council Gap Analysis – Planning Mechanisms and Incentives

The table below outlines planning mechanisms and incentives designed to improve feasibility and encourage residential development by local government (New Zealand) (Wellington and Auckland) and local/municipal/state authorities around the world that aren't currently being utilised by CCC.

Technique	Christchurch City Council	New Zealand Location	Global Location
No Resource Consent Fees for Pre-application and Processing			
50% Reduction on Building Consent Fees (or more or less)			
Loss on Sale			
Streamlined Resource Consenting			
Waived Pre-application Meeting Fees			
Rates Remission for Greenfield Developments			
Infrastructure Investment			
Rates Remissions			
Tax Credit Programme			
Affordable Housing Mandate			
Density Bonuses			
Tax Exemption			
Lump Sum Grant			
Flexible Zoning			
Shared Equity/Ownership			
Government Backed Loans/Tenancy Underwrites			
Long-Term Lease			
Infill Development			
Community Land Trust			
Cooperatives/Condo			

Terraced/Shared Drive complexes			
Conversion			

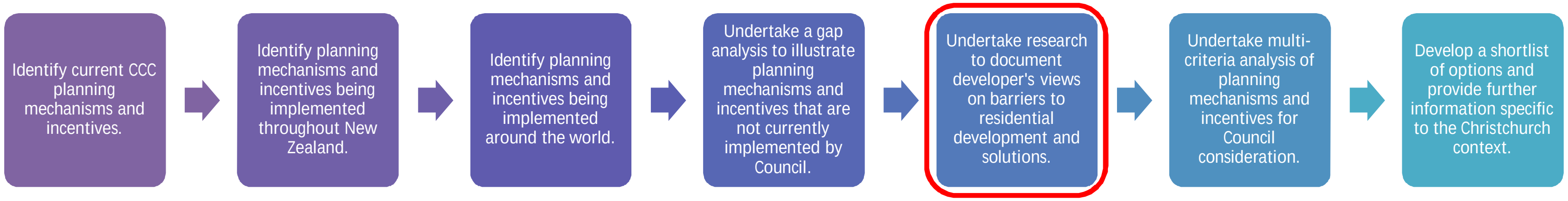
	Implementing
	Partially Implementing/Limited Examples
	Not implementing

In addition to the planning mechanisms and incentives identified above, this report considers that the following further opportunities could be applied to promote the central city

Further opportunities		
The Council could look at other direct and indirect ways of providing incentives for residential building.		
Incentive	Type	Description
Destination Branding	Demand	Influences both consumer and investor demand and confidence levels. Money is spent to market Christchurch as a good place to live and invest in.
Events CCTO	Demand	A detailed events strategy can outline objectives, policies and opportunities for events. These events can have significant benefits and may improve investment uptake. Large scale events held in the central city act as a drawcard for residents and may increase demand for housing within the four avenues so they can more easily access events that are held there. A CCTO could be established specifically for financing and holding events, where the revenue could be reinvested into other residential regeneration strategies.
Business Incubators, R&D and Co-working Space	Employment	This brings business and job opportunities to the central city, as well as considerable social and economic activators. By bringing job opportunities, the population of workers within the CBD will increase as workers are drawn to Christchurch.
Focus ChristchurchNZ Business Support on Start-ups and Entrepreneurial Business	Employment	Continued business support through ChristchurchNZ could be expanded to focus specifically on start-ups and social enterprises. Offer support for business start-up incubators, co-working spaces and social enterprise to bring job growth and therefore consumer demand into the central city.

Tax Increment Financing	Financial	This is where the Council assesses the anticipated future increase in revenue collection to finance improvements in the present day.
Amalgamate Sections and Create Land Trust Owned by Council	Financial	See the explanation for Community Land Trusts – pg18.
Lobby the MoE to Create Another School in Central City	Amenity/ Consumer Demand	Promote increased school or other facilities within the central city that will draw families to look at the central city as a place to live rather than just work.
Land Swap	Supply	Unlock key pieces of land within the central city for residential development.
Global Settlement Land Acquisition	Financial	As part of the Global Settlement, the Council could acquire land pieces within the central city owned by the Crown and repurpose it to provide a residential project for the delivery of housing and/or apartments.
Land Banking Tax	Financial/ Supplier Demand	Tax sites based on their potential capital value, not their current value. This penalises those holding central city land for land banking purposes.

5. Research



Building on the background investigations in the previous section, this section of the report seeks to identify barriers to residential development in the central city through a desktop analysis and case studies.

This report sought to review and provide an opinion on work undertaken by Council which explored the feasibility of residential development in the central city. Documentation has not been provided to DCL, so accordingly this report cannot consider any work undertaken by the Council on the subject.

To achieve the objectives of this section, DCL has followed the process outlined below:

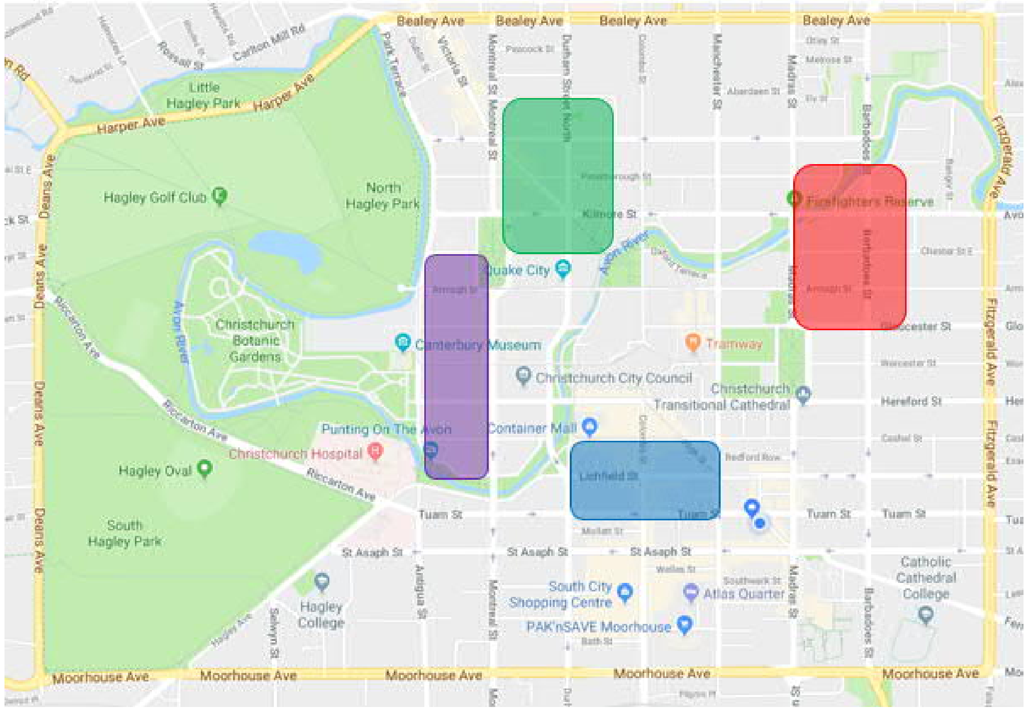
1. Map various forms of residential development, including high-density apartments and medium-density units, in the central city
2. Select interviewees, ensuring a broad spectrum of development typologies and developers in all areas of the central city
3. Construct interview questions to ensure consistency across all interviewees
4. Undertake interviews and summarise common themes

The majority of interviewees requested that their comments be presented as anonymous. Instead of providing the name of the developer, DCL have instead provided a developer profile which outlines the style of residential development they typically undertake.

Selecting Interviewees

DCL has sought developers who deliver medium/high-density residential developments.
The coloured markers represent different forms of development:

	Type	Price Point
(red)	Medium Density	\$350k – \$600k
(purple)	Medium Density	\$600k – \$1m+
(blue)	High Density	\$350k – \$600k
(green)	High Density	\$600k – \$1m+



Common Interview Questions

To ensure consistency and to identify common themes, interviewees must be asked a common set of questions in addition to the general discussion on their views and opinions. DCL developed the following list of common questions for interviewees:

1	What is your preferred development type/configuration i.e. apartment/medium density?	6	What do you believe the Council can do to remove barriers to central city residential development?
2	Who is your target market and what is your target price range?	7	How is market demand impacting residential development in the central city?
3	Do you have knowledge of any existing planning mechanisms and incentives provided by the Council to facilitate residential development within the central city?	8	How is access to development finance impacting your ability to progress residential developments?
4	If yes, to what extent have these mechanisms/incentives been effective in promoting removing barriers to residential development in the central city?	9	Is there a change in the perception/preference of unit title body corporate arrangements post-quake?
5	What do you see as the barriers to delivering central city residential developments?	10	Is the availability of developable land an issue in developing residential property in the central city?

Case Study – Interview 1

Developer 1	
What is your preferred development type/configuration i.e. apartment/medium density? Who is your target market and what is your target price range? Medium to high-density residential apartment buildings with 30–50 units. Apartments typically range from $900k to $2m+ targeting families and young professionals who wish to live in the central city. This development is looking to shift into the affordable homes market and is currently working on developing their product.	
Developer 1 - Interview Questions	
Do you have knowledge of existing planning mechanisms and incentives provided by the Council to facilitate residential development within the central city?	• The only mechanism or incentive that the developer raised was the DC rebates scheme.
If yes, to what extent have these mechanisms/incentives been effective in promoting or removing barriers to residential development in the central city?	• The DC rebates scheme was of critical importance in the developer's ability to provide a marketable and affordable product for their target market.
What do you see as the barriers to delivering central city residential developments?	• Lack of central city amenity and progress of key social infrastructure assets. • The level of cleanliness in the central city is not creating a desirable place for people to live. • The disconnect between urban design panels and consenting teams creates unnecessary barriers and costs i.e. the Urban Design Panel recommends an addition to the development that requires consent, which is then actively challenged by the Consenting Team. • Residential development is the hardest form of property development in Christchurch when compared to commercial/industrial. • Central and local government need to rebuild trust with private sector developers. • Uncertainty created by East Frame residential development. • Council needs to get its statutory act into gear. • A dislocated and disconnected central city.
What do you believe the Council can do to remove barriers to the central city, residential development?	• Renewal of the DC rebates scheme. • In the absence of the key civic asset/amenity projects (i.e. MSF, MUA, PAP etc), the Council need to develop demand incentives for the purchaser, similar to that of the DC rebates scheme. • Council has the ability to leverage its strong balance sheet and assist in de-risking projects that provide housing products that the central city needs.

How is market demand impacting residential development in the central city?	• Demand for residential products in the central city is strong. The lack of public amenity and perceived safety concerns of central city living are significant hindrances.
How is access to development finance impacting your ability to progress residential developments?	• Short/long term financing options are available for developers with a clean credit rating. It is very difficult for newcomers to the market to obtain development finance.
Is there a change in the perception/preference of unit title developments post-quake?	• The developer advised that if there has been a change in perception/preference, it has not impacted on their ability to sell their product.
Is the availability of developable land an issue in developing residential property in the central city?	• Not an issue. The developer's view is that the land required to bring 20,000 residents back into the central city is achievable with current land supply makeup.

Case Study – Interview 2

Developer 2	
What is your preferred development type/configuration i.e. apartment/medium density? Who is your target market and what is your target price range? Medium-density units and townhouse developments ranging from 3–30 units in the central city, targeting investors and first home buyers in the $370k-$450k market. To date, the makeup of buyers for the developer's product is as follows: • Mum and dad investors - 50% • First home buyers - 15% • Parents buying for children - 15% • Investors for AirBnB - 10% • Home buyer - 10%	
Developer 2 - Interview Questions	
Do you have knowledge of existing planning mechanisms and incentives provided by the Council to facilitate residential development within the central city?	• The only mechanism or incentive that the developer raised was the DC rebates scheme.
If yes, to what extent have these mechanisms/incentives been effective in promoting or removing barriers to residential development in the central city?	• Very appreciative of the DC rebate scheme. The developer is of the view that their projects would not have proceeded without the rebate scheme. The developer advised that on average they pass on 50% of the benefit of the DC rebate to the buyer.

What do you see as the barriers to delivering central city residential developments?	• Planning rules need to be softer, mainly around outdoor living requirements. • Capacity issues, particularly in relation to water mains. • Inconsistent urban design. • Resource Consent Team need to treat developers like customers.
What do you believe the Council can do to remove barriers to the central city, residential development?	• Apply a feasibility lens in the consideration of the granting of consents i.e. does the development feasibility stack up with the required level of outdoor space for affordable housing products in the central city. • The developer advised that land zoned as Central City Mixed Use (CCMU) was the most development-friendly land in the central city. Additional land with this zoning is required in the developer's opinion. • Starting work on the key civic asset and public amenity projects, including Cathedral Square, Metro Sports and the Stadium is critical.
How is market demand impacting residential development in the central city?	• Demand for certain housing products is strong. However, access to high-grade public amenity remains a hindrance to people wanting to move back into the central city.
How is access to development finance impacting your ability to progress residential developments?	• Quite a lot – have to achieve 80% pre-sales (minimum). • Bare land funding is a no go.
Is there a change in the perception/preference of unit title developments post-quake?	• Yes, uncertainty around insurance requirements for these developments is impacting demand for residential products in the central city within the developer's target market.
Is the availability of developable land an issue in developing residential property in the central city?	• Not for experienced developers, but yes for new developers. • Most land transactions occurring around the central city are off market.

Case Study – Interview 3

Developer 3	
What is your preferred development type/configuration i.e. apartment/medium density? Who is your target market and what is your target price range? Medium to high-density residential developer, 10-20 unit multilevel developments. Typically delivers 2 bedroom/2 bathroom products in and out of the central city in the $400k-$600k market.	
Developer 3 - Interview Questions	
Do you have knowledge of existing planning mechanisms and incentives provided by the Council to facilitate residential development within the central city?	• The developer was aware of the DC rebate scheme but advised in its absence, they would not develop in Christchurch.
If yes, to what extent have these mechanisms/incentives been effective in promoting or removing barriers to residential development in the central city?	• The developer advised that even pre-quake, they refused to pay DC's. There is a lack of visibility as to what DC's are actually spent on.
What do you see as the barriers to delivering central city residential developments?	• Lack of public amenity, buyers currently have no reason to move into the central city. In the absence of key anchor projects, the Crown and Council are providing no incentive for people to move into the central city. • Uncertainty created by the East Frame Residential Project, scared other developers from becoming involved in the locale.
What do you believe the Council can do to remove barriers to the central city, residential development?	• Rates rebates on development land (for the developer), for land that is proposed to be developed into residential dwellings. • The developer believes the Council should play an active role in the saving/preservation of earthquake damaged buildings that could be converted to residential. This idea relates to the Council taking on risk in joint venture arrangements i.e. guaranteeing finance/presales etc.
How is market demand impacting residential development in the central city?	• The market for the developer's product is strong. However, due to a combination of external factors (high land and building costs) and Council controls (district plan and urban design requirements), the feasibility proposition for the developer's development type is tight.
How is access to development finance impacting your ability to progress residential developments?	• The developer advised that due to their development model, they receive development funding with only a limited number of pre-sales. They acknowledged that this was a rarity in the market.
Is there a change in the perception/preference of unit title developments post-quake?	• The developer advised that in their experience if there is a change in perception/preference it has not impacted any of their developments to date.

Is the availability of developable land an issue in developing residential property in the central city?	• The supply exists, however much of it is being used by Wilsons for low quality at-grade carparks. There needs to be a correction in land values. By removing Wilsons operating at-grade car parking, this will reduce landowners' ability to land bank thereby increasing supply and reducing land values.

Case Study – Interview 4

Developer 4	
What is your preferred development type/configuration i.e. apartment/medium density? Who is your target market and what is your target price range? Medium-density developer of 150–180sqm 2 storey townhouses on 450sqm sites. A prominent Christchurch developer who has elected not to reinvest in the central city post-quake. The developer typically delivers a product in the $700k-$900k price range.	
Developer 4 - Interview Questions	
Do you have knowledge of existing planning mechanisms and incentives provided by the Council to facilitate residential development within the central city?	• The developer was aware of the replacement district plan and progress made in relation to the Council's building consent reform. The developer was not aware of the central city DC rebates scheme in any level of detail. The developer could not describe any other planning incentives or mechanisms for residential development in the central city.
If yes, to what extent have these mechanisms/incentives been effective in promoting or removing barriers to residential development in the central city?	• The developer has made a conscious decision not to reinvest in the central city, post-quake. • The developer made considerable efforts to be part of the central city residential rebuild/regeneration but was met with barriers after making considerable pre-development investments. This included a $500k investment in the East Frame development proposal.
What do you see as the barriers to delivering central city residential developments?	• The general barriers that the developer identified related to a lack of understanding as to what the plan is. This was in relation to central amenity and civic asset projects which support residential development. • The developer advised he did not have a sufficiently good understanding as to where Christchurch is going as a city to warrant investing in the central city.

	• The developer advised central city residential development is difficult when compared to the suburbs (i.e. Wigram, Burwood and Belfast). The developer had no incentive to take on risk in the central city.
What do you believe the Council can do to remove barriers to the central city, residential development?	• Fast tracking of both building and resource consents. • More leniency on urban planning rules and regulations i.e. when it can be proven that the requirement is not feasible for the product being delivered by the private sector. • The developer would like to see Council take on risk in joint venture development schemes, including leasehold land on Council owned property and other shared equity/rent to own schemes.
How is market demand impacting residential development in the central city?	• Central city residential demand is down. • The developer believes it will come back in the next 12 months, but this is dependent on the progress of Cathedral Square, Metro Sports and the Multi-Use Arena.
How is access to development finance impacting your ability to progress residential developments?	• The developer advised their access to development finance was not an issue, but the increase in commercial lending rates was decreasing the feasibility proposition of central city residential.
Is there a change in the perception/preference of unit title developments post-quake?	• As the developer is currently not operating in the central city, they had no opinion on this.
Is the availability of developable land an issue in developing residential property in the central city?	• The developer is of the view that supply of land is an issue, advising that in their view, the best residential development land is earmarked i.e. East Frame, Metro Sports and Convention Centre Precinct etc.

Case Study – Interview 5

Developer 5
What is your preferred development type/configuration i.e. apartment/medium density? Who is your target market and what is your target price range? Medium to high density, multi-level residential apartment blocks with 20–40 units. Apartments typically range from $300k-$600k, targeting first home buyers, young professionals and the investor (incl AirBnB) markets.
Developer 5 - Interview Questions

Do you have knowledge of existing planning mechanisms and incentives provided by the Council to facilitate residential development within the central city?	• The developer was aware of and had utilised the DC rebates scheme.
If yes, to what extent have these mechanisms/incentives been effective in promoting or removing barriers to residential development in the central city?	• The developer advised that due to a combination of lack of public amenity, the cost of land and the cost of building, their development product would not have progressed without the DC rebate scheme.
What do you see as the barriers to delivering central city residential developments?	• Lack of public amenity. This was raised in the context of creating a central city that people want to live in. • The cost of developable land and construction costs are constraining the developer's ability to deliver a product the market demands. • Pre-development consenting, compliance and general time spent with the Urban Design Panel decreased the feasibility.
What do you believe the Council can do to remove barriers to the central city, residential development?	• In the absence of the public amenity, the Council need to create residential demand incentives. The developer advised these should be both financial and non-financial.
How is market demand impacting residential development in the central city?	• Demand for residential products in the $350-$600k price bracket is strong. • Homes that qualify for the government's Home Start Grant are very attractive to the market.
How is access to development finance impacting your ability to progress residential developments?	• The developer did not want to discuss their specific situation. However, they noted that finance was readily available for bankable projects that achieve a high percentage of pre-sales (i.e. 80% and over).
Is there a change in the perception/preference of unit title developments post-quake?	• The developer advised this has not impacted demand for their product.
Is the availability of developable land an issue in developing residential property in the central city?	• The developer was of the view there is sufficient land within the central city to create a vibrant and attractive place where residents choose to live.

Summary of Common Themes – Barriers to Development

This section of the report summarises barrier to development themes identified through interviews with people operating in the residential development sector in the central city.

1. A lack of public amenity in the central city is making it difficult for developers to provide a marketable product.
2. Development feasibility is being impacted by the high cost of land and building. This essentially means that developers are being forced to deliver a specific product, which may not correlate to wider market demand.

3. Whilst the majority of interviewees did not describe the building consent process as prohibitive towards residential development, any additional cost stresses the development feasibility of delivering affordable housing products in the central city.
4. Developers identified that demand for residential property in the central city was being impacted by perceived safety concerns relating to living in the central city.
5. Cleanliness and general lack of maintenance of public spaces were identified as an area impacting demand for central city residential products.
6. Development finance was described as available for developers with proven track records of successful delivery who are seeking to develop bankable products i.e. can achieve a high level of pre-sales.
7. Supply of developable central city land was not described as a barrier to development, however, it was noted that it was difficult for new developers to enter the market as the majority of the central city residential land transactions were private sales.
8. One developer advised that the supply of developable land was an issue that was not helped by the Council's extension allowing at-grade car parking on vacant central city sites.
9. Several developers identified that the additional cost and risk associated with the urban design process, whilst not prohibitive, was a consideration in development feasibility.

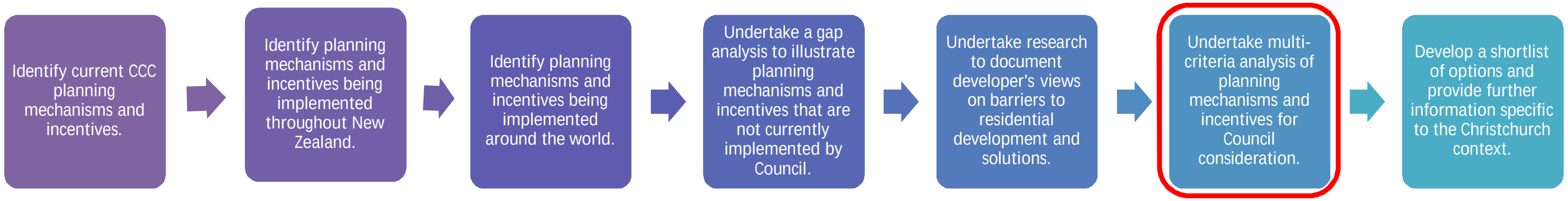
Summary of Common Themes – Solutions to Barriers to Development

This section of the report summarises barriers to development themes identified through interviews with people operating in the residential development sector in the central city.

1. Developers advised that due to the effectiveness of the DC rebates scheme in promoting central city residential development, the scheme should be renewed in its current form.
2. In the absence of the level of amenity and vibrancy designed to be delivered through the CCRP and CSA, the Council need to provide financial and non-financial incentives to attract residents into the central city.
3. Council need to further their efforts in creating a clean and well maintained central city.
4. Council need to work collaboratively with the police to increase the security/police presence in the central city, with a particular focus at night.
5. Revoke/amend temporary planning provision that enables owners of vacant central city sites to create at-grade, low-quality carparks through to 2020.
6. Create a central city rates free zone for a period of time to entice people to purchase property and live in the central city.
7. Create a greater alignment between the Urban Design Panel and Council Consenting Team.
8. Council to assist in reducing risk on projects that deliver on Council objectives through the underwriting of residential unit sales.
9. Council and/or a Council CCTO to share risk in joint venture developments which leverage Council's access to land in and out of the central city.
10. Central government and Council to deliver projects detailed in the CCRP and Cost Share Agreement.
11. Central government to reassess the East Frame Residential Project. Is there an option for a new entrant(s) to take over responsibility for delivering part of the project scope?
12. Create disincentives for large scale residential developments outside of the central city i.e. increased development contributions.

6. Multi-Criteria Analysis – Options for Planning Mechanisms and Incentives

This section of the report seeks to assess each of the planning mechanisms and incentives identified in Section 3 of this report, against a set of criteria and the barriers identified by developers in Section 4 of this report.



There are seven main variables which have been identified to assign worth to each of the potential options designed to improve the feasibility of and encourage central city residential development in terms of their real value of implementation for Christchurch City Council. These variables are:

1. Goal Alignment
2. Control/Risk
3. Cost
4. Return
5. Complexity in Administration
6. Complexity in Implementation
7. Equitability

#	Interventions and Incentives Identified through research section	Description, notes and examples of where the incentive is already operating	Time to implement	Goals	Control / Risk	Cost	Return	Complexity in administration	Complexity in implementation	Equitability
1	Development Proposal Pre-application Fee Discount/Extension	Free or discounted pre-application advice is available to developers seeking to discuss development concepts or proposals prior to the formal consenting process. The benefit to the developer is through increased certainty around achieving consent for development and addressing any likely issues early in the process, without the need to incur additional fees and reducing risk of increased development time. Example: Christchurch City Council already offers a discount to the first pre-application meeting on a development proposal.	Short	5	9	4	8	9	9	7
2	Development Contributions Rebate (renewal of existing scheme)	The Council's current Central City Development Contributions Rebate Scheme is specific to within the four avenues of the central city (the area bounded by Bealey, Fitzgerald, Moorhouse and Deans Avenue), but is not targeted to specific development outcomes (e.g. typology, size, price point). The total funding available under this scheme was initially $10m, however was later increased to $20m in 2015. When the funding is exhausted no further rebates will be available unless specifically provided for by the Council. Example: The current Christchurch City Council Residential Development Contributions Scheme available for development in the central city.	Short	9	10	7	8	8	10	7
3	Development Contributions Rebate (with eligibility criteria)	Urban design standards, typology, location, price point.	Short	8	10	7	7	5	7	8
4	Resource Consent Fees Discount	The intent of this incentive is to remove a cost worn by the developer which is ultimately transferred onto the consumer through the sales price. Example: Resource consent fees for residential development within a defined zone in Porirua's Central City are waved Within this zone, PCC have identified street frontages that are eligible.	Short	6	6	5	5	9	6	5
5	Building Consent Fees Discount	The intent of this incentive is to remove cost worn by the developer which is transferred onto the consumer. Such an incentive may also help direct development to certain typologies or areas within the Central City, for example: Developers applying for residential consents, which meet the eligibility criteria and are within prescribed zones, are eligible for a higher rebate on consent fees. Example: This was implemented by Porirua DC in an effort to de-risk the building consent phase and increase the overall feasibility proposition of delivering a certain type of residential development.	Short	6	6	5	5	9	6	5

6	Streamlined Resource Consenting	This incentive is to entice developers to work with Council to provide housing and achieve good quality development outcomes. Making the process faster reduces development risk and can help to reduce development finance costs, making private investment more appealing. This initiative is particularly relevant for development concepts that require a greater level of scrutiny due to departure from what is permitted development in the district plan. This may also respond to specific issues raised around consenting processes, for example, the urban design assessment of development proposals and the interaction with the Urban Design Panel. A streamlined consenting process could be aligned closely with items 1 - 4, offering discounts on fees aligned to good outcomes for both the Council and developers. Noting that while savings on fees are welcomed, the potential time saving benefits of a more streamlined process can offer a further benefit. Example: Residential development service (aka 'one stop shop') as a single point of contact and processing of residential development consenting matters, including pre-application and design advice.	Short	9	8	6	7	9	5	7
7	Bonuses for Density	This may not necessarily be a standalone incentive but rather, it would help direct the tiered application of other direct incentives. A level of incentive may be higher where a specific density of development is achieved (e.g. a defined level above the minimum density prescribed in the planning rules). Examples: South Queensland (Sunshine Coast Council, Australia) provide a substantial infrastructure charge discount, but only for higher density development typologies in specific, identified, high growth areas.	Medium	7	8	9	7	7	6	8
8	Voluntary Planning (under certain criteria)	Building above what the plan allows in return for design, social, urban designment, amenity/activation.	Medium	9	7	10	4	8	5	9
9	Joint Venture/Agreements Across Sites	Incentives may seek to encourage or facilitate more efficient use of land through agreements for comprehensive development across multiple sites. This will facilitate the development of neighbouring sites with some shared facilities. For example, apartment and town house developments may share access or parking arrangements, making development a more efficient use of the available land while potentially reducing duplicated costs. This incentive may achieve some of the similar land efficiency outcomes of site amalgamation, but while retaining existing legal boundaries.	Short	6	6	8	5	8	6	9
10	Conversion of commercial buildings	Incentives to repurpose commercial buildings for residential use (full or part) Example: In Toronto and London, both cities have implemented planning changes to allow the conversion of vacant office buildings within the central cities into residential apartment complexes. This allowed for the removal of excess supply of office space while simultaneously injecting needed supply of residential housing.	Medium	8	8	9	7	9	6	9
11	Government Backed Loans	Reduces risk for development finance providers, as well as developers and therefore makes it more likely that residential developments will get underway. By providing low cost loans to consumers who purchase residential property within the central city, the servicing costs for the consumer are lowered compared to similar properties outside the central city. Example: This is already being implemented, in one variation, through the Kiwibuild Programme. However, there are no serious signals emerging that Christchurch will be a major beneficiary of the programme.	Medium	9	7	8	7	6	5	8

12	Loss on Sale	Undeveloped sites are bought (potentially by Council or CCTO) and then made available for development. The land may require investment and may be sold at a loss, jusitified by wider benefits through stimulating demand and economic activity, as well as making more sites available for development and to reduce the number of undeveloped sites. Example: Porirua's City Centre Residential Incentives Policy aquired an empty building which was subsequently leased and sold to a development company. This development resulted in a loss of over $300,000 to the Council in the building sale, but is seen as an investment which has already stimulated other investor interest in the local CBD.	Medium	8	7	6	8	8	6	6
13	Public Private Joint Ventures	Council or CCTO to partner effectively with private sector on joint venture projects. The development risk is shared between Council and the developer. Example: There are many examples of Panuku Development Auckland partnering effectively with the private sector in large scale regeneration projects.	Medium	9	9	8	8	8	7	8
14	Community Land Trust, and/or Site Amalgamation by Council / CCTO, land trusts created and managed by Council.	Council to CCTO amalgamate land and create development sites that are then provided for development free, or discounted, to a Community Land Trust who then owns and recycles the land with the dwellings being purchased and sold. This may significantly decrease the initial capital required for development (i.e. the land component), reflected in the eventual house price. Alternatively, or complementary, Council could fulfil the role of the Community Land Trust as well as providing sites. Examples: 1) The Goulding Avenue development in Hornby, Christchurch. The approach has some similarities. 2) Kotare Village, a Community Land Trust, is a self-reliant ecovillage based on permaculture principles in rural northern Hawkes Bay. To buy a house in the village, an application must be submitted and informal interviews conducted prior to signing a Sale and Purchase Agreement and payment of membership fee.	Medium	7	9	7	7	5	6	7
15	Cooperatives	A similar approach as with Community Land Trusts, except land is sold to and then owned and occupied by the cooperative of home owners. The corporation is membership-based, with membership granted by way of a share purchase in the cooperative. Each shareholder in the legal entity is granted the right to occupy one housing unit. A primary advantage of the housing cooperative is the pooling of the members' resources so that their buying power is leveraged, thus lowering the cost per member in all the services and products associated with home ownership.	Medium	7	6	8	7	7	6	8

16	Tax Credit Programme	Developers receive tax rebates for residential developments within certain communities under a tax credit scheme. Example: South Africa introduced a tax incentive to respond to urban blight in large cities, promote urban renewal, and development through private sector investment. The incentive comes in the form of an accelerated depreciation allowance for the construction of new buildings and improvements in specified zones. In the 2003 Budget, 16 municipals were identified to benefit from the incentive. Each municipality selects one or two Urban Development Zones (UDZ). The incentive provides investors with a tax write-off for the cost of the improvement or building. The tax write-off period depends on whether the construction relates to improvements of an existing building or a new build (including extension). The incentive for improvements is greater to promote refurbishment (and use of existing sunken capital). This benefits the investor as any write-off of costs incurred are deductible against the investor's entire taxable income, regardless of whether that income is related to the building or investor's other business activity. Any excess loss that cannot be set-off within the year is carried forward indefinitely and can be set-off in later years, until fully absorbed.	Medium	9	4	9	9	6	4	8
17	Tax Exemption	Provides developers with incentives to not value engineer exceptional quality out of the design. Example: British Columbia, Canada provides developers with incentives to not value engineer exceptional quality out of the design. If the property meets adaptable housing and design standards, is over $300,000 of construction and gives the units balconies or access to green space, it is eligible.	Medium	8	4	8	8	6	4	8
18	Street Amenity (localised to development)	Coordinated street environment improvements to align with development activity e.g. street cleaning, repairs, resurfacing to commence close (in time) to development completion. Improves the marketability of new development and immediate attractiveness of the development for new residents.	Short	7	9	6	7	9	7	7

#	Interventions and Incentives Identified through research section	Description		Goals	Control / Risk	Cost	Return	Complexity in administration	Complexity in implementation	Equitability
19	Shared Equity/Ownership	Used to reduce initial capital cost required for consumers to purchase a home. Could incentivise city living by providing targeted shared equity/ownership models specifically for central city residential builds. Examples: Christchurch City Council/MBIE Housing Initiative. A city-wide fund for supporting low-income households to attain homeownership through a shared equity approach. Can be used for the central city but not exclusively so.	Short	8	6	8	8	6	7	8
20	Buyer Focused Government Backed Loans/Tenancy Underwrites	Reduces risk for banks/lenders as well as developers and therefore makes it more likely that residential developments will be completed. By providing low cost loans to consumers who purchase residential property within the central city, the servicing costs for the consumer are lowered compared to similar property outside the central city. Example: The Kiwibuild Programme.	Medium	8	7	8	8	5	7	7
21	Rates Remissions (resident targeted)	This incentive lowers the resident's costs during the first years of ownership. Indirectly, the developer benefits from increased demand (both in aggregate and through marketing potential) for their development. It may also help to lower the barrier to purchasing by supporting the ability of the potential buyer to obtain and service a mortgage. Example: Wellington first home buyers receive a rates remission of up to $5,000 for a new residential dwelling within the boundaries of the Wellington Central City.	Short	9	8	7	8	7	7	7
22	Central City School Options Work to Improve School Options to Attract Central City Residents.	Interviewees identified that school choice is a major consideration when people are electing to live in the central city and is a major factor in making the central city more attractive to families. This initiative will consider what options are available to address school choice.	TBC	9	4	10	8	9	3	9
23	Transport Options	Providing a wide range of transport options and choice to central city residents, to help address limitations on providing private car parking for developments and to address a consideration for choosing central city living. Examples: Car share schemes (e.g. Sydney), various free CBD or selected CBD route public transport programmes (Melbourne, Brisbane, formally in Christchurch), active transport promotion and facilities, encourage development of off-site car parking serving multiple developments, CBD resident parking concessions (e.g. Gisborne and Brisbane provide exemption from parking time restrictions on free parks).	Short	7	8	6	7	9	6	9
24	Affordable Housing Mandates	Require a certain proportion of housing to be provided at an affordable price, lowering the barrier to renting or buying in the central city. Example: Residential developments in Westminster (UK) are required to include 30% of houses as affordable housing (defined as no more than 80% of market rent or available to buy as an intermediate housing product e.g. shared ownership).	Medium	7	6	6	7	5	5	8

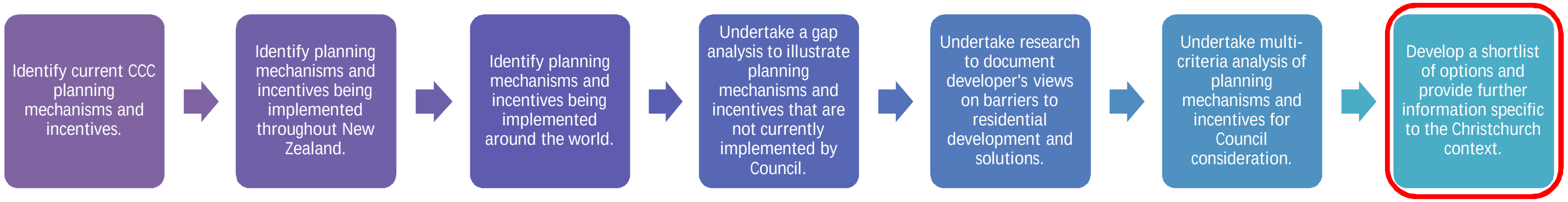
	Interventions and Incentives Identified through research section	Description		Goals	Control / Risk	Cost	Return	Complexity in administration	Complexity in implementation	Equitability
25	Rate or Charge on Undeveloped Land	This approach would create a disincentive for holding undeveloped central city land. One mechanism for this would be to base a rating valuation on potential capital value (i.e. land and potential improvement) rather than the current (land plus improvement) value. This would increase the ongoing cost to hold land as undeveloped. Calculating a rate based on land value alone would also potentially increase cost for undeveloped sites, albeit impacting developed sites also. There are other potential approaches using adjustment to rates that may be considered. Further research is required to determine what is possible and justifiable under current policy and legislative settings, including, for example, applying a different rating valuation approach to a geographically defined area of the city or a different activity. Examples: Some Councils in New Zealand have based rates on land value only. In Australia, the city of Fremantle proposed to apply a rate differential to undeveloped residential land to allow the rating to be the same as developed land, providing the justification for this as 'the development of vacant rateable land to be in the best interests of the community'. The city of Adelaide has considered differential rates as a tool to tackle high profile vacant sites.	Medium	6	5	9	8	5	4	6
26	Tax Treatment for Undeveloped Land	Mechanisms may consider how undeveloped land is taxed, for example, for deductions. This would make land less tax efficient to hold as undeveloped land. Example: The 2018 Australian Federal Budget introduced a measure to disallow property owners owning vacant land to claim deductions associated with holding the land, for example, interest costs, maintenance and rates. Effectively this denial of deductions creates a permanent tax disadvantage for property investors as these denied deductions cannot be carried forward or offset against other related entities income. The Australian Federal Government have stated that the policy objective of this measure is to reduce the incentive for land banking which denies the use of the land for housing or other development.	Medium	7	3	9	8	5	3	7
27	Limit Alternative Activity Options	Site holding costs can be a driver for site development. Alternative activity (for example, surface parking) can reduce holding costs and so weaken this driver for faster redevelopment of a site.	Short	7	8	9	6	9	7	7

	Interventions and Incentives Identified through research section	Description		Goals	Control / Risk	Cost	Return	Complexity in administration	Complexity in implementation	Equitability
28	Future Housing Supply — information	Several research interviewees identified uncertainty surrounding the timing on delivery of large residential developments in the central city. This creates risk for developers when considering the appropriate time to deliver new homes, avoiding a peak in supply which may suppress price expectations and/or result in unsold homes. More information around delivery of housing projects, both existing and future projects, could help with development planning and timing for delivery, helping to smooth supply. Note that this information could be incorporated into the work stream of the Project 8011 work programme: Project A1 Development Information base.	Variable	7	7	9	6	9	8	10
29	Site Development Opportunities — information	A central database of prospective site development opportunities. Potentially incorporating known site constraint information and the applicability of incentives to the development of the site. This could be particularly effective when used to support other initiatives seeking to make more sites available for development. Note that this is already part of a work stream of the Project 8011 work programme: Project A1 Development Information base, and also a component of the Central City Action Plan.	Variable	7	9	9	7	9	9	10

	Interventions and Incentives Identified through research section	Description		Goals	Control / Risk	Cost	Return	Complexity in administration	Complexity in implementation	Equitability
30	Increased Security and Police Presence in the Central City	Several interviewees outlined that due to the low police and security presence, coupled with areas that are yet to be demolished/repaired, the central city does not feel safe. This makes it difficult to market the central city as an attractive place to live and invest, particularly to the overseas market.	Short	7	6	8	7	8	7	7
31	Council/Crown to Deliver on Anchor Projects	Every interviewee suggested that progress on key central city anchor projects was a major factor for slow residential development. Specifically, the lack of progress is considered to undermine vibrancy, suppressing residential demand. Whilst the majority of anchor projects are now underway or have timing confirmed, there are still projects with a high level of uncertainty (e.g. Performing Arts Precinct).	Short	9	9	9	9	9	9	9
32	Business Incubators, R&D and Co-working Space	This brings business and job opportunities into the central city, as well as considerable social and economic activators. Central city job opportunities will draw more workers, increasing opportunities to capture the potential demand from residential living.	Medium	8	7	6	8	7	7	7
33	Events Strategy, through a Council Controlled Trading Organisation	A detailed events strategy can outline objectives, policies and opportunities for events. These events can have significant benefits and may improve opportunities for investment. Frequent, large scale events held in the central city act as a drawcard for residents who may see the benefit of central city living if they can more easily access these events. A CCTO with responsibility for financing and holding events, could invest revenues back into further initiatives to attract residents.	Medium	8	10	7	8	9	9	8

34	A Clean and Well Mmaintained Central City (as a Central City-wide initiative)	Several research interviewees cited the uncleanliness and general lack of maintenance of public spaces in the central city is impacting demand for homes.	Short	8	10	7	7	9	8	8
35	Tax Increment Financing (TIF)	Council uses the anticipated future increase in tax revenues to finance current improvements (e.g. the assumption is that rates will increase in a defined geographical area because of residential development and therefore may partially fund development with the intention to reclaim funding over the long-term due to the increased revenue from rates). Example: Whilst legislative frameworks are not enabling of TIF, large scale reforms to the State Sector and Public Finance Acts are currently underway. Recent Crown announcements on a new scheme to finance major infrastructure works and levy future home owners is a form of quasi-TIF arrangement.	Medium	7	4	6	8	4	3	7
36	Destination Branding	Influences both consumer and investor demand and confidence levels. Marketing Christchurch as a good place to live and invest can help increase demand for homes directly, and also indirectly, through increasing employment opportunities that attract workers to Christchurch and raise the overall demand for homes in the city, a portion of which may be captured by the central city.	Ongoing							

7. Analysis of Shortlisted Options – Planning Mechanisms and Incentives



This section off the report seeks to provide further Christchurch specific context on the shortlisted planning mechanisms and incentives identified in the previous section.

Shortlist

	Supply Mechanisms and Incentives	
	Initiative	MCA score
A	Development Contribution rebate renewal	84%
B	Pre-application advice discount (incorporating building consent fee discount and streamlined consenting).	77%
C	Public/private joint venture	81%
D	Street amenity (localised)	73%
E	Cooperative land trust	66%
F	Loss on sale	70%

	Demand Mechanisms and Incentives	
	Initiative	MCA score
G	Rates remission	76%
H	Shared equity	70%
I	Government back loans / Tenancy underwrite	71%
J	Transport-related incentives	67%

A. Development Contribution Rebate

Background

The Council rebate scheme is specific to within the four avenues of the central city (the area bordered by Bealey, Fitzgerald, Moorhouse and Deans Avenue).

100% of development contributions for developments are eligible for rebate under this policy. The maximum rebate for a single development is $1m. A single development includes all staged development components.

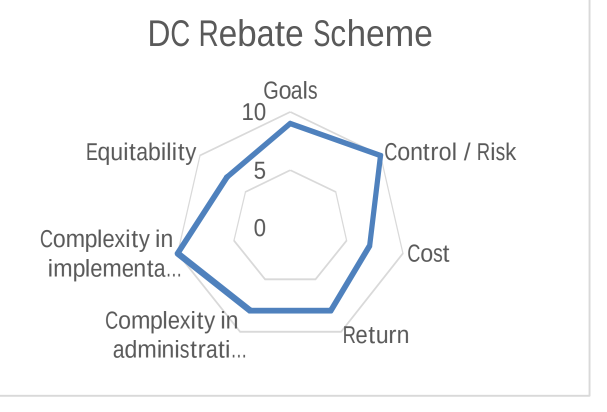
Initially, the total funding available under this scheme was $10m. This was later increased to $20m in 2015. When funding is exhausted, no further rebates will be available unless specifically provided for by the Council. The rebate policy is effective from 1st July 2015 for five years (until 5pm 30th June 2020) or until the rebate fund is fully allocated.

The confirmed value of the rebate, $9,5m (excl. GST), has provided an additional 903 units in the central city. Assuming 2.1 people per household, this equates to a total of 1,896.3 people living in the central city.

Projects that have been confirmed, but the rebate has yet to be granted (i.e. they have not passed their first building inspection), provide for an additional 663 units. Using the same 2.1 people per household, this equates to a total of 1,392.3 people upon completion and sale of these units.

Assessed rebates to date will bring in approximately 3,288.6 people into the central city. On a prorated basis, taking into account the assessed rebate amount and the unallocated balance, the DC rebate scheme will provide housing for approximately 6923.4 people in the central city.

Multi-Criteria Assessment of Incentive



Goals

Given this incentive improves development feasibility, this is likely an effective supply side incentive to encourage development in the central city. It must assist particularly with marginal developments that may not have proceeded without the rebate. Unfortunately efforts to quantify and measure this beyond anecdotal support are difficult due to the multivariable environment the program has operated in.

Cost

If a given development would have proceeded anyway, the cost of this incentive scheme is the forgone revenue. If a development would not have proceeded or would have been delayed, potentially the lost revenue is offset by increased rates from the site or rating revenue arriving sooner.

Return Period

This is an initiative that is already in place so there is no immediate return benefit. The benefit which it does achieve will be ongoing.

Administration and Implementation

Ongoing administrative arrangements in place.

Equitability

Potentially, there is an equitability issue with this incentive in that it favours central city developers over other developers. However, there is no barrier to developers operating outside the CBD beginning to operate within the CBD.

How Scheme May Work; options include:

Scheme is already operational.

Financial Considerations and Impacts

Scheme is already operational. However, consideration will need to be given as to whether to extend the timeframe and or the amount of money allocated to the incentive scheme.

Planning Considerations

Nothing additional.

Policy Considerations

As with financial considerations, thought will need to be given whether to extend the timeframe and/or the amount of funding available.

Monitoring Approach
Currently monitored based on the number of participants and the balance of the fund.

B. Pre-Application Advice Fee Discounts/Free Service

Background
Discounted pre-application advice for resource and building consent was identified as an incentive to encourage central city redevelopment.

The Council provides a formal pre-application advice service for which a fee is charged. The fee is based on the time required to meet with Council staff, preparation for meetings and follow-up advice. The fee is payable whether or not the development proceeds which constitutes a non-recoverable cost, something developers are particularly sensitive to.
In addition, the Council also offers the Partnerships Approval Service (fee-based) for more complex developments. This includes elements of pre-application advice, although, in practice, the service is accessed well into the development process.

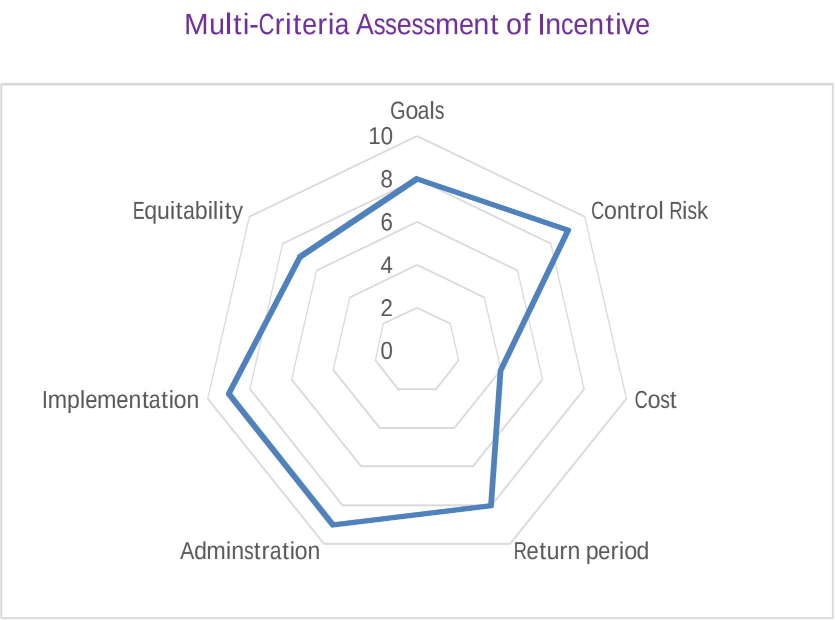
As a separate process, the Council currently provides pre-application advice on building sustainably with the first two hours free. The Council does not offer any discount on general building and resource consent pre-application advice, other than the general advice that is provided by the duty planner service.

A number of Councils in New Zealand offer free pre-application advice for building and/or resource consents, for example:

1. Tasman District Council and Kaipara District Council both offer 30 minutes free advice for resource consents
2. Auckland Council offer 15 minutes free advice for both building and resource consents
3. Dunedin City Council do not charge for a pre-application consultation on resource consents (time limit not specified)
4. Wellington City Council offer two hours free advice for building consents but no free advice for resource consents

Formal pre-application advice serves a purpose in recording particular issues for proposals and requires a reasonable level of design to have been reached in order to identify what these issues may be. What formal pre-application advice does not provide is an opportunity for developers and Council staff to discuss proposals at concept level before a commitment to action or design is made.

An opportunity for proposal discussion at concept level may benefit developers who wish to discuss different development options. Proposal discussion would enable the Council to work collaboratively on projects that may help to achieve the wider aims of the central city programme or other Council objectives.



Goals
The incentive directly supports the Project 8011 goal to support development in the central city.

Control and Risk to Council
The option to provide discounted or free pre-application advice is within Council's control. The risk for the Council is cost escalation if a free service is offered and becomes oversubscribed, to the extent where additional staff resources are required to maintain the effectiveness of the service.

Cost
Providing a discounted/free pre-application advice is a direct cost to Council in lost revenue.

Return Period
The introduction of discounted pre-application advice will likely be taken up immediately by the development community and therefore provides a return within the timescale of Project 8011.

Administration and Implementation
Council has in place processes for providing pre-application advice, charging fees and providing discounts. The administration of a fee discount or free advice could be included in these processes.

Implementation

The implementation of the scheme will require funding to cover the loss of fee income. A policy for access to the service will be required for development proposals that have more than one activity, in particular, where residential is a small component of the development.

Equitability

A discounted/free pre-application scheme would favour developers active in the central city. It would encourage developers to consider the central city for projects.

As a discount incentive, it would be funded through rates or other Council income. Therefore, the cost is borne by the wider community. Potentially, this will be offset by an increase in rates income from new dwellings if the scheme is successful in getting more homes constructed.

How Scheme May Work; options include:

- Increase in free time for pre-application discussions, e.g. first two hours free.

Advantages:

- Simple to administer
- Allows sufficient time for discussion of early development concepts and proposals at low cost to the developer
- May encourage more complex developments and/or development of more difficult sites
- May reduce incidents of non-compliance, reducing actual consenting costs and time
- Encourages a focused discussion

Disadvantages:

- Risk of escalating costs to Council if the service is oversubscribed
- May reduce the quality and level of information brought to pre-application discussions
- No charge for central city concept stage pre-application discussions.

Advantages:

- Simple to administer (requiring only a check on-site location)
- Shows strong commitment from the Council to facilitate and encourage development in the central city
- May encourage more complex developments and/or development of more difficult sites and provide an opportunity to identify issues early in the development process

- May reduce incidents of non-compliance, reducing actual consenting costs and time, lowering risk and increasing developer confidence
- Demonstrates a strong commitment to collaborative delivery of the goals of the programme

Disadvantages:

- Higher cost to Council must be funded through rates or other Council income
- Risk of escalating costs to Council if service is oversubscribed or if too much staff time is devoted to individual applications (i.e. where no advice time limit is applied)
- Risk of oversubscribed service has implications for unit capacity and consequential impact on service delivery elsewhere
- May encourage more speculative applications, or proposals too early in the development process for useful discussions to occur (i.e. poor use of professional staff time)

Financial Considerations and Impacts:

- Any reduction in fees for what are currently user pays services will have to be funded from rates or other income.
- The extent of the cost to Council will be dependent upon how a free service is offered and the number of developers accessing the service.
- Likewise, to establish a new concept level pre-application discussion as a free service will need to involve staff who usually provide user pays services.

Planning Considerations

The Council is obliged to meet statutory time limits on the processing of resource and building consents. Any resource implications of providing additional services delivered by planning and building consent staff need to be understood and addressed in order to avoid the risk that statutory time limits on live consent applications not being achieved.

Policy Considerations

This incentive may require the drafting of a policy document to set out the qualification for a discount and how it will be applied.

Monitoring Approach

Use and access to the scheme can be monitored through existing service. It will be possible to monitor the impact of the scheme by tracking developments through the processes and determining, either qualitatively or quantitatively, the impact of the service.

C. Joint Venture

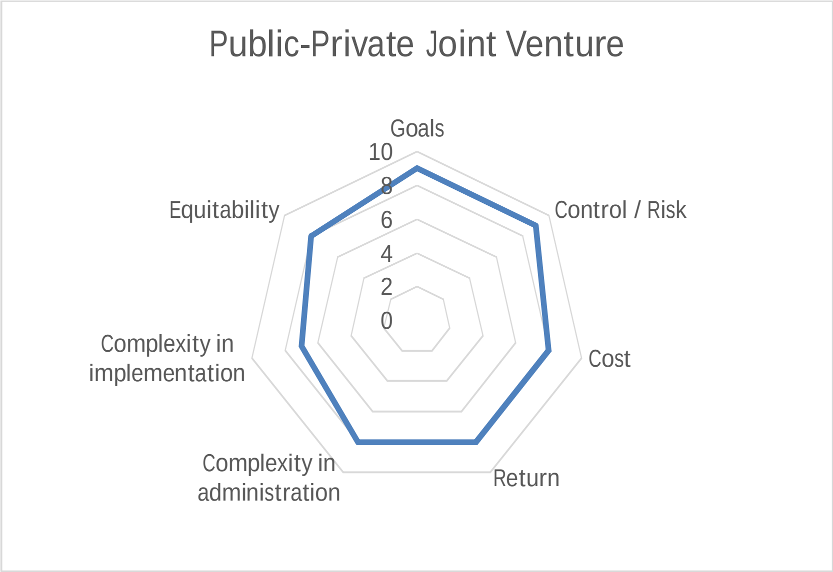
Background

Joint ventures are a flexible mechanism whereby a state entity can partner with private interests to achieve a specific outcome or to bring about a specific action. There is a lot of research on what makes a partnership successful and likewise what makes these fail. In the context of central city population growth, this mechanism can be used in a range of ways:

- To contribute equity to enable a developer of a qualifying site to attract funding or alternatively attract funding on more favourable/feasible terms. This is an equity partnership style partnership.
- To reduce downside risk. With a marginal or risky development, the downside risk is reduced. This could be used to incentivise an otherwise reluctant private developer to undertake a project of wider community interest.
- Council participation could add credibility by absorbing upfront risk to a project that funders perceive as otherwise unattractive to be involved in.

Careful thought would need to be given to the structure of a proposed joint venture as developers will be reluctant to give up control to a public entity but at the same time Council or a Council related entity will have obligations to ensure the investment is managed appropriately.

Multi-Criteria Assessment of Incentive



Goals

This is potentially a strong mechanism for incentivising strategic development.

Cost

There is an element of commercial risk associated with this mechanism. Potentially, the programme could self-fund but in the event of unsuccessful partnerships, capital could be lost. There will also be an ongoing tail of contingent liability when the programme ends.

Return Period

The return period would likely be very short. This would depend largely on how these offerings are structured but in theory, any mechanism which reduces barriers to participation in property development would be taken up quickly.

Administration and Implementation

Potentially there is a significant amount of administration required by commercially qualified, professional staff (DCL can assist with this). It is unknown at this time whether existing business units would have capacity/expertise to manage this. In terms of implementation, given the social nature of the development community, the implementation period would be very short once word got out.

Equitability

The main issue is this mechanism would only be available within the central city. Developers and landowners active outside of the defined area may feel prejudiced but there is no barrier to the migration to the central city.

There may be an issue around which sites are selected as this will raise the desirability of selected sites and potentially the price. This needs to be considered through a best-for-city lens.

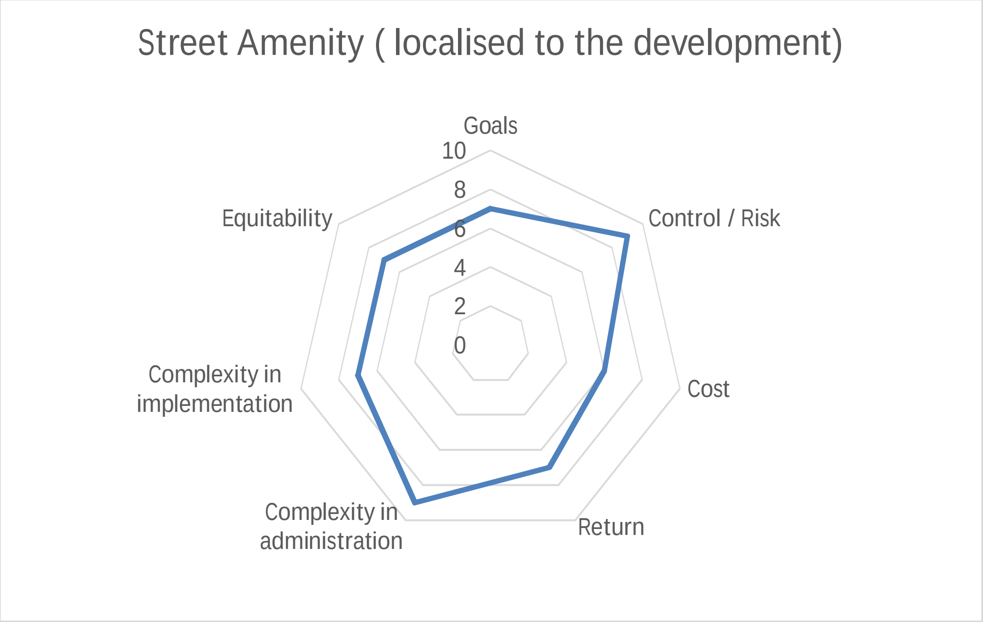
Monitoring Approach

Intensive monitoring is required. Research on this development mechanism suggests a degree of open, honest but frank discussions between the parties is important. As there is contingent, downside risk will be important to track, monitor and update stakeholders regularly.

D. Street Amenity

Background
This involves working with developers to give them the best product on open day. This incentive is specifically about assisting through upgrading public areas such as footpaths, gardens and signage etc.

Multi-Criteria Assessment of Incentive



Goals
This incentive aims to increase the probability of a project being delivered by expediting the sell-down of developed property within the target area. To this extent, more sales equate to more residents. In this sense, the mechanism must be effective in raising the population of the central city and contribute to the goal of Project 8011.

Cost
This is variable, there are two main scenarios:

- The first is where scheduled works are brought forward and no additional works are carried out. In this scenario there is an impact on cash flow in that work is done sooner than would have been anticipated but there is no overall effect on the whole of life cost to any material extent.
- The second scenario is where temporary patch-up work is carried out. This is work that was not scheduled, was not budgeted and will be destroyed upon the scheduled renewal of the street, in which case there is an impact on cash flow and the overall whole of life cost.

Return Period
Short-term and within the activity period of the programme. The amenity upgrade can be completed short-term to complement the development (scale dependent).

Administration and Implementation
This incentive does carry with it some administration varying relative to the scale undertaken. Small scale can be handled internally with minimal logistics and procurement overhead. More material upgrades may require tendering, procurement oversight and management as well as internal administration at Council.

Implementation is moderately challenging. This incentive is at the discretion of Council so there is some lobbying by the developer. This creates a lack of certainty and therefore increases risk. If the developer is successful there is an element of scheduling to be mindful of. As mentioned above, this will be relative to scale with more material upgrades taking a longer lead time.

Equitability
Favours central city developers but this is contemplated by the program.

Monitoring Approach
Uses existing Council systems.

E. Community Land Trust

Background

Akin to conventional leasehold. The main difference is the mandate and objectives of the lessor being a charitable trust. Potentially this arrangement would suit the disposal of surplus land from public entities at a nominal cost with strict rules around rent review for ground rent.

The advantage is for homeowners at the margins, they purchase the building but rent the land. This reduces the total purchase price and gives permanence of tenure. The fee simple owner has a not-for-profit mandate. This gives a degree of certainty over future household outgoings and insulation from market fluctuations which, in a normal commercial situation, could result in a steep increase in ground rent

Multi-Criteria Assessment of Incentive

Goals

This is an effective option based on the population goal for the CBD. It will increase the diversity of housing options, provide and improve the affordability of housing in the locality and encourage long-term tenure in the city.

Cost

There will be an initial upfront cost in transferring public land under value to the trustees, however, that should be a one-off with the trust being able to operate from revenue derived by the leasehold mechanism.

Return Period

Medium-term, it is anticipated there will be a lag period before conception and thereafter two years for construction to complete. However, uptake would be sooner.

Administration and Implementation

Dependent upon how the scheme would operate and particularly whether it is contributed to by local or central government.

At a local government level, there would be a land procurement and disposal overhead involving commercial inputs/assessment as well as administrative, legal and financial personnel. This personnel exist already and largely the activity would be business as usual for them.

Equitability

Favours the central city as contemplated by the programme.

Policy Considerations

There may be implications in terms of Council policy on the disposal of land.

Monitoring Approach

Some monitoring will be required to observe the impact on other housing offerings. Potentially, if this was done at scale, it may cannibalise other developments which would have otherwise gone ahead.

F. Loss on sale

Background

In simple terms, this is a public entity underwriting a private development which meets criteria and serves a larger social purpose. The mechanism de-risks a development that may not have otherwise satisfied a private developer's feasibility criteria.

Multi-Criteria Assessment of Incentive

Goals

This is a strong mechanism/incentive and gives a significant degree of control over what type of development is undertaken on a specific site. It is a way for a public entity to undertake development without becoming a developer. This mechanism, if executed well, has the potential to strongly contribute to the goals of Project 8011.

Cost
Potentially, there is a significant cost to this type of mechanism. There would need to be significant eligibility criteria and qualified personnel advising on the suitability of the proposal before it is undertaken.

Return Period
There would be a substantial element of planning and preparation. Once the programme was prepared uptake would likely be almost immediate as it largely de-risks the project.

Administration and Implementation
Significant administration will be required but probably undertaken by existing staff as business as usual. Implementation will be simple and straightforward as this is expected to be very attractive to the development community. There will be procurement implications around which developers are selected and which developments

Equitability
Favours central city developers but there is no barrier to other developers relocating.

How Scheme May Work; options include:
Thought will need to be given as to when the underwrite is triggered.

It might be that in order to trigger the underwrite the developer must deliver the product and sell it in order to crystallise the loss. Up until that point the project is at the developer's risk.

Monitoring Approach
There is probably a significant monitoring overhead given the contingent nature of the liability. Detailed oversight will be required by qualified commercial people (DCL can assist). Again, choosing developers and developments will create a procurement issue.

G. Central City – Residential Rates Rebate

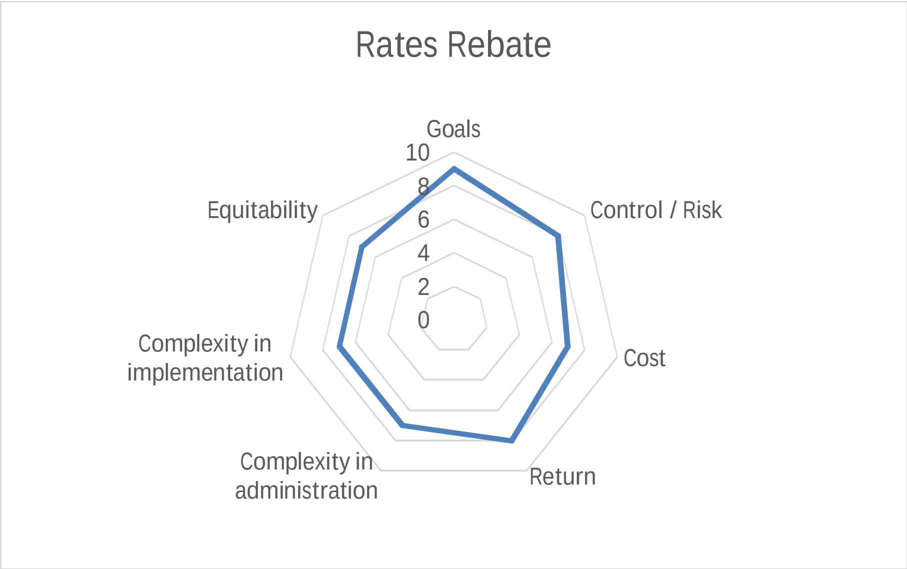
Background

This mechanism is intended to be a demand-side mechanism. The intention is that living in the central city is made more attractive by reducing fixed costs associated with homeownership.

The concept of a rates rebate to stimulate activity in a specific area and increase homeownership rates is not new in New Zealand:

- Porirua District Council (PDC) offers a 100% rebate for 5 year to residents following practical completion of new residential developments in specific zones.
- Wellington District Council (WDC) offers first time homeowners a rates rebate for the first $5,000 when purchasing a newly built home or apartment off plan.

Multi-Criteria Assessment of Incentive



Goals

Council has set a target of 20,000 residents living in the central city by 2028. As of 2018, there are ~6,000 residents. This incentive, in conjunction with other demand-side incentives, has promise in terms of motivating people to reside long-term within the central city.

Cost
Forgone rates revenue.

Return Period
Medium-term, there will be a delay between the programme being implemented and it becoming subscribed as there will be the usual time lag associated with construction and thereafter with sell-down.

Administration and Implementation
Very little in the way of administration or implementation barriers.

Equitability
Favours central city developers but there is no barrier to other developers relocating.
How Scheme May Work; options include:
In considering rates rebates, there are a number of ways to implement, which ultimately define the level of revenue foregone. Irrespective of how the rebate is implemented, the rebate should be viewed by the Council as a means of accelerating the rating potential of vacant land. Taking an investment approach the analysis below utilises the residential apartment development constructed at 282 Madras Street (across from the Margret Mahy playground).

282 Madras Street Example

Prior to development, 282 Madras Street was vacant for the 4 years following the earthquakes. The site has been developed into a 44 apartment development, which translates to roughly 80 additional residents in the central city.

In its bare form, if the site had not been developed, and remained vacant for the next 10 years, the Net Present Value (NPV) of the rates generated by the Council would equate to ~$92k (assuming 5% growth and a discount rate of 7%).

The high-level analysis below assesses the variance between the NPV of the rates generated by the development, under the following scenarios:

1) Example 1 - Development does not occur in the next 10 years, versus development occurring in Y1 with no rates rebate.

Development does not occur in next 10 years, versus development occurring in Y1 with no rates rebate

	NPV	1	2	3	4	5	6	7	8	9	10
Rates w no development	**$91,768**	11,214	11,774	12,363	12,981	13,630	14,312	15,027	15,779	16,568	17,396
Rates with development	**$871,425**	106,485	111,809	117,400	123,270	129,433	135,905	142,700	149,835	157,327	165,193
Variance	**$779,657**										

2) Example 2 - Development does not occur in the next 10 years, versus development occurring in Y1 with a 5 year rates rebate.

Development does not occur in next 10 years, versus development occurring in Y1 with a 5 year rates rebate	NPV	1	2	3	4	5	6	7	8	9	10
Rates w no development	$91,768	11,214	11,774	12,363	12,981	13,630	14,312	15,027	15,779	16,568	17,396
Rates with development	$380,540	-	-	-	-	-	127,672	134,056	140,759	147,797	155,187
Variance	$288,772										

3) Example 3 - Development occurs naturally in Y8, versus development occurring in Y1 with a 5 year rates rebate.

Development occurs naturally in Y8, versus development occurring in Y1 with a 5 year rates rebate	NPV	1	2	3	4	5	6	7	8	9	10
Rates w no development	$288,762	11,214	11,774	12,363	12,981	13,630	14,312	15,027	140,759	147,797	155,187
Rates with development	$380,540	-	-	-	-	-	127,672	134,056	140,759	147,797	155,187
Variance	$91,778										

In each example, it has been assumed that rates will continue to rise over a 10 year period at 5% per annum.

The variance figures in the scenarios above only illustrate the direct benefit accrued to the Council. They do not take into account the economic benefits generated through accelerated development in the central city.

Monitoring Approach

There will be some monitoring oversight required to ensure the exact formula on which the rates rebate is offered is effective. It is suggested tracking new utility connections would offer this information.

H. Shared Equity Homeownership

Background
Dwelling cost has been identified as a barrier when seeking to live in the central city.
A shared equity scheme would allow a purchaser to take ownership of the property but have a lesser mortgage which is more manageable and capable of being amortised more quickly. Following this, there would be an obligation to pay out the equity partner and take 100% ownership of the property.

Development does not occur in next 10 years, versus development occurring in Y1 with a 5 year rates rebate											
	NPV	1	2	3	4	5	6	7	8	9	10
Rates w no development	$91,768	11,214	11,774	12,363	12,981	13,630	14,312	15,027	15,779	16,568	17,396
Rates with development	$380,540	-	-	-	-	-	127,672	134,056	140,759	147,797	155,187
Variance	$288,772										

The scheme is expected to drive demand for central city property and provide developers with confidence. It would hopefully also improve pre-sales of units/apartments meaning more development faster.

A geographically targeted scheme also provides a point of difference for central city developments and may help to market central city developments to buyers looking at a range of possible location options.

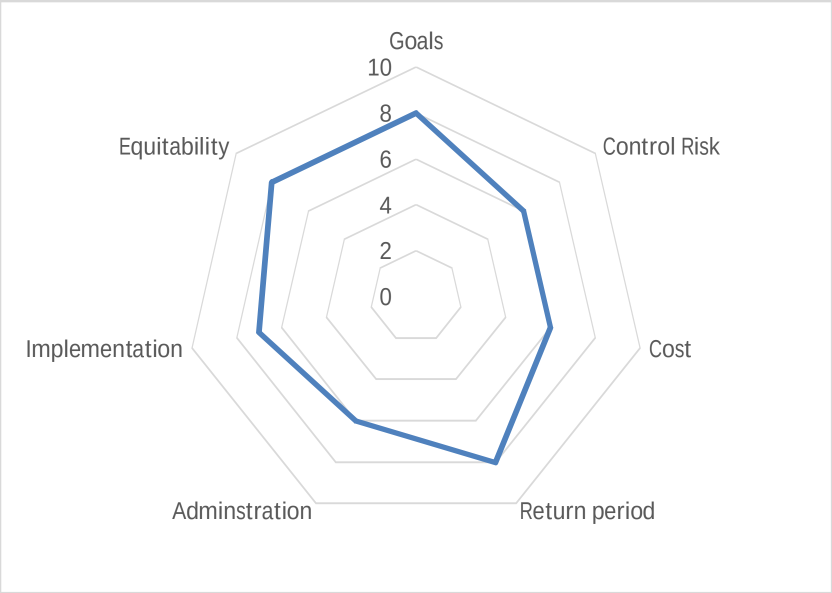
Development occurs naturally in Y8, versus development occurring in Y1 with a 5 year rates rebate											
	NPV	1	2	3	4	5	6	7	8	9	10
Rates w no development	$288,762	11,214	11,774	12,363	12,981	13,630	14,312	15,027	140,759	147,797	155,187
Rates with development	$380,540	-	-	-	-	-	127,672	134,056	140,759	147,797	155,187
Variance	$91,778										

In 2018 the Council and the Crown jointly allocated funding for a city-wide shared equity scheme for Christchurch: The Christchurch Housing Initiative. The aim of the initiative is to help households of modest income who struggle to meet standard lending criteria to purchase a home.

The total funding for the scheme is $6 million (of which $3 million is Council funded). Applicants to the scheme can apply to the fund for up to 25% of the purchase price of an existing home.

An initiative focused on the central city could operate in the same way. To be effective, a central city specific scheme may need to include options to buy off-plan and have adjusted the price and income parameters to reflect generally higher prices for dwellings in the central city.

Multi-Criteria Assessment of Incentive



Goals
The incentive directly supports the programme goal to attract more people and a wider group of potential residents to the central city. This demand-side stimulus will encourage development activity by improving sell-through.

Control and Risk to Council
Control and risk management can largely be borrowed from the process already in place for the Christchurch Housing Initiative.

Cost
Significant at the outset. Becoming self-sufficient as funds are recycled back into the scheme either through property sales or owner buy-out of the scheme share. Long-term there is the potential for the initial investment in the fund to be recouped.

Return Period
The operation of the scheme could be time limited to the Project 8011 programme (i.e. available for new applications until 2028). The establishment of the scheme may also draw on the experience and arrangements in place for the Christchurch Housing Initiative, helping to reduce implementation time.

Administration and Implementation
A scheme can draw on the arrangement put in place for the Christchurch Housing Initiative.

Equitable
A scheme could operate in parallel to the Christchurch Housing Initiative. The scheme is targeted at owner-occupiers and therefore does not incentivise directly the rental market.

How Scheme May Work
The scheme could operate in the same way as the Christchurch Housing Initiative. Price and earning limits may need to be adjusted to reflect the higher purchase price in the central city. The scheme initial funding will need to take into account higher dwelling costs and the timeframe within which the scheme needs to have an impact.

Where/What will be the Impact of the Scheme
The scheme will encourage people to consider living in the central city. By lowering the cost of entry, a shared equity scheme will make the central city living a more attractive option to a wider group of potential buyers. It also creates a point of difference and marketing opportunity for central city living options.
A wider benefit of the scheme is to encourage long-term residents in the central city, which will help to build and strengthen communities.

Financial considerations and impacts
The fund will need to be capitalised by the Council and potentially central government as is the case with the Christchurch Housing Initiative.

Planning considerations
There are no planning considerations for this incentive.

Policy considerations
This incentive will require the drafting of a policy to set out the qualification for a scheme.

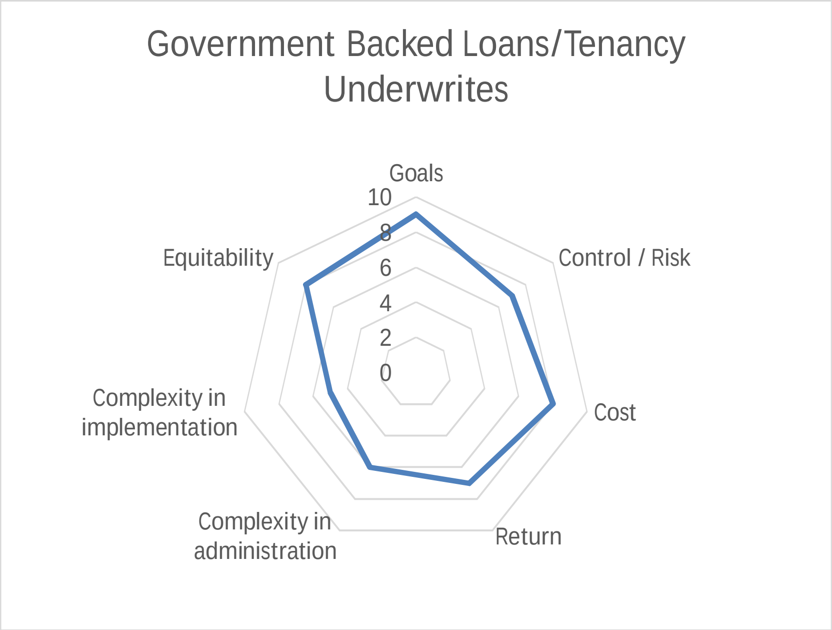
Monitoring Approach
Data to determine the uptake of the scheme and where homes are purchased will be collected as part of the administration of the scheme. This data (with suitable anonymization) may be used to show where the scheme is having an impact on development and/or increase in resident numbers, as well as the length of tenure of new residents.

I. Government Backed Loans/Tenancy Underwrites

Background

This is a mechanism where the government guarantees performance in relation to either a loan or a residential tenancy agreement. The intention is this will spur demand for construction and offering of investment property for rental.

Multi-Criteria Assessment of Incentive



Goals

This option has considerable potential so long as it is widely accepted by the banking system and landlords contribute to putting 20,000 people inside the CBD.

Cost

Difficult to distinguish as this is not a model that has been used in New Zealand or worldwide to any great extent in a situation which is analogous to New Zealand.

Return Period

Somewhat lagging and dependent on the uptake. It would take significant time to prepare the incentive and manage it ongoing but once in place, it could be taken up relatively quickly. The return period for this incentive should be considered as medium-term.

Administration and Implementation

Significant administration but fairly implementable.

Equitability

Potentially perceived as unfair by people outside the central city.

Monitoring Approach

A potentially significant ongoing monitoring. In the event of defaults, the guarantor would be liaising with mortgagees/landlords to try and protect their position.

J. Transport Related Incentives

Background

This incentive revolves around providing a range of transport choices and particularly reducing dependence on personal cars thereby supporting mode shift and accessibility.

Multi-Criteria Assessment of Incentive

Goals
Potential to have a significant impact on population numbers within the CBD if through this mechanism car ownership is no longer necessary or alternatively people can reduce their number of vehicles. This would remove a significant cost from people's personal budget, making living in the central city a cost-effective option long-term. Potential to address real and perceived barriers to personal car ownership while living in the CBD.

Cost
Hard to quantify, would depend on the infrastructure required to support the package.

Return Period
Medium to long-term.

Administration and Implementation
Hard to quantify at this stage given the long-term nature of the mechanism.

Equitability
No real issue.

Monitoring Approach
Dependent upon the scheme elected and its implementation.

Appendices.

1. Report Methodology and Deliverables
2. DC Rebate Allocation

o Appendix 1 – Report Methodology and Deliverables

Stage 1: Project Establishment

1. Identify protect team, project partners, Council staff and resourcing needs.
2. Draft scope outline.
3. Workshop scope with project partners.
4. Refine and finalise project scope, programme and identified resource requirements of project partners. Distribute.

Stage 2: Background Investigations

1. Residual background investigation - review previous research undertaken by Council (and other organisations) in respect to planning mechanisms and incentives, and financial and legal barriers. This is to ascertain whether they:

   a. Are still pertinent within current planning and development context and may have merit in further pursuing (and to what extent the Council can pursue these).
   b. Have been applied and the extent to which they have been successful in assisting new development. Aspects of this research work such as Central City development contribution rebates, will require the involvement of Gavin Thomas, Team Leader Policy, Christchurch City Council.

Stage 3: Research

1. Building on the Stage 2 work, through a combination of feasibility analysis undertaken by Council, desktop analysis and case studies, identify the barriers to development in the Central City including:
   a. Financing
   b. Legal, insurance and planning constraints
   c. Short and medium term marketability e.g. consumer demand
   d. Developer limitations
   e. Infrastructure needs
   f. Land procurement and amalgamation
   g. Building industry matters e.g. supply chain

2. The development community case studies
   a. Undertake one on one interviews with:
      - a range of Christchurch central city and central city fringe brownfield residential developers who represent a:
        - Range of scales of development
        - Different residential typologies i.e. apartment / townhouse
        - Target prices
        - Spread of central city and central city fringe locations (east and west, north and south)
        - Range of tenure options i.e. investor, developer
        - Risk tolerances
      - Potential central city investors who have decided not to invest in the central city, to understand what has influenced their decision?

Stage 4: Option Evaluation

1. Identify and evaluate options to effectively deliver central city residential development within the short term, 0-3 years, and medium term, 3-10 years.
2. Present in a workshop format to project partners for discussion.

Stage 5: Reporting

1. Final report prepared and delivered in digital format, to include detail and discussion on:
   a. The desktop analysis
   b. Identified barriers
   c. Options for addressing barriers
2. Detailed analysis of the case studies, including where appropriate detail of the development economics of the case studies.

Appendix 2 – DC Rebate Allocation