

**Notice of Meeting:**

I hereby give notice that an extraordinary Meeting of the Council will be held on:

**Date:** Tuesday 25 September 2018  
**Time:** 2.00pm  
**Meeting Room:** Council Chamber  
**Venue:** Municipal Building, Garden Place, Hamilton

Richard Briggs  
Chief Executive

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## Extraordinary Council OPEN AGENDA

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**Membership**

|                    |                          |
|--------------------|--------------------------|
| Chairperson        | Mayor A King             |
| Deputy Chairperson | Deputy Mayor M Gallagher |
| Members            | Cr M Bunting             |
|                    | Cr J R Casson            |
|                    | Cr S Henry               |
|                    | Cr D Macpherson          |
|                    | Cr G Mallett             |
|                    | Cr A O'Leary             |
|                    | Cr R Pascoe              |
|                    | Cr P Southgate           |
|                    | Cr G Taylor              |
|                    | Cr L Tooman              |
|                    | Cr R Hamilton            |

**Quorum:** A majority of members (including vacancies)

**Meeting Frequency:** Monthly – or as required

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Lee-Ann Jordan  
Governance Manager

**19 September 2018**

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## **Purpose**

The Council is responsible for:

1. Providing leadership to, and advocacy on behalf of, the people of Hamilton.
2. Ensuring that all functions and powers required of a local authority under legislation, and all decisions required by legislation to be made by local authority resolution, are carried out effectively and efficiently, either by the Council or through delegation.

## **Terms of Reference**

1. To exercise those powers and responsibilities which cannot legally be delegated by Council:
  - a) The power to make a rate.
  - b) The power to make a bylaw.
  - c) The power to borrow money, or purchase or dispose of assets, other than in accordance with the Long Term Plan.
  - d) The power to adopt a Long Term Plan or Annual Plan, or Annual Report.
  - e) The power to appoint a Chief Executive.
  - f) The power to adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the Long Term Plan, or developed for the purpose of the Council's governance statement, including the 30-Year Infrastructure Strategy.
  - g) The power to adopt a remuneration and employment policy.
  - h) The power to approve or change the District Plan, or any part of that Plan, in accordance with the Resource Management Act 1991.
  - i) The power to approve or amend the Council's Standing Orders.
  - j) The power to approve or amend the Code of Conduct for Elected Members.
  - k) The power to appoint and discharge members of committees.
  - l) The power to establish a joint committee with another local authority or other public body.
  - m) The power to make the final decision on a recommendation from the Parliamentary Ombudsman, where it is proposed that Council not accept the recommendation.
  - n) The power to amend or replace the delegations in Council's *Delegations to Positions Policy*.
2. To exercise the following powers and responsibilities of Council, which the Council chooses to retain:
  - a) Resolutions required to be made by a local authority under the Local Electoral Act 2001, including the appointment of an electoral officer and reviewing representation arrangements.
  - b) Approval of any changes to Council's vision, and oversight of that vision by providing direction on strategic priorities and receiving regular reports on its overall achievement.
  - c) Approval of any changes to city boundaries under the Resource Management Act.
  - d) Adoption of governance level strategies, plans and policies which advance Council's vision and strategic goals.
  - e) Approval of the Triennial Agreement.

- f) Approval of the local governance statement required under the Local Government Act 2002.
- g) Approval of a proposal to the Remuneration Authority for the remuneration of Elected Members.
- h) Approval of any changes to the nature and delegations of the Committees.
- i) Approval of all Council and Committee taskforces and their terms of reference.

**Oversight of Policies:**

- *Corporate Hospitality and Entertainment Policy*
- *Delegations to Positions Policy*
- *Elected Members Support Policy*
- *Significance and Engagement Policy*

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**1 Apologies**

**2 Confirmation of Agenda**

The Council to confirm the agenda.

**3 Declaration of Interest**

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as an elected representative and any private or other external interest they might have.

**4 Public Forum**

As per Hamilton City Council's Standing Orders, a period of up to 30 minutes has been set aside for a public forum. Each speaker during the public forum section of this meeting may speak for three minutes or longer at the discretion of the Mayor.

Please note that the public forum is to be confined to those items falling within the terms of the reference of this meeting.

Speakers will be put on a Public Forum speaking list on a first come first served basis in the Council Chamber prior to the start of the Meeting. A member of the Governance Team will be available to co-ordinate this. As many speakers as possible will be heard within the allocated time.

If you have any questions regarding Public Forum please contact Governance by telephoning 07 838 6439.

# Council Report

|                     |   |                    |                             |
|---------------------|---|--------------------|-----------------------------|
| <b>Committee:</b>   | Council   | <b>Date:</b>       | 25 September 2018           |
| <b>Author:</b>      | Greg Carstens                                     | <b>Authoriser:</b> | Jen Baird                   |
| <b>Position:</b>    | Acting UM Economic Growth & Planning              | <b>Position:</b>   | General Manager City Growth |
| <b>Report Name:</b> | Special Housing Area (SHA) Affordability Criteria |                    |                             |

|                      |             |
|----------------------|-------------|
| <b>Report Status</b> | <i>Open</i> |
|----------------------|-------------|

## Purpose

- To inform the Council on options for Special Housing Area (SHA) affordability criteria to be applied to SHA developments through Council's Hamilton Special Housing Areas Policy.

## Staff Recommendation

- That the Council:
  - approves affordability criteria option 2(c): 10% of new dwellings must have a floor area of 120m<sup>2</sup> or less (including the garage); and
  - amends the Hamilton Special Housing Areas Policy to include the affordability criteria in a) above.

## Executive Summary

- To date the Council has approved five SHA applications. One is gazetted. The remaining four are experiencing delays due to difficulty reaching Stage 1 Private Developer Agreements (PDA) with the Council, and the Council's difficulties in reaching agreement with the Ministry of Business, Innovation and Employment (MBIE) as to acceptable criteria to gazette SHAs.
- MBIE has advised that the specificity of the affordability criteria the Council proposed for the Rotokauri North SHA did not meet the standard required for an Order in Council. It advised that either the criteria should be removed altogether or more specific criteria will be needed.
- MBIE has advised that it is not possible to include in the Order in Council affordability conditions requiring dwellings to be sold to specific buyers (including KiwiBuild), nor a trust that receives gifted land assets from developers.
- Development feasibility is heavily influenced by the % of the development required to meet the affordability criteria. There will be a point at which development is not feasible for each SHA, and this point will be different for each SHA.
- The options presented in this report include a percentage of the development (10% or 20%) which must meet affordability criteria. An affordable house is deemed in this report to be one that sells for less than 90% of average Hamilton house value, or whose floor area is less than 120m<sup>2</sup>. Both of these options currently correlate to a selling price of approximately \$500,000.

8. Another option exists to not gazette any affordability criteria. This would allow for the gifting of land to a housing trust to be the primary vehicle to deliver affordability outcomes. There are demonstrable benefits of such a trust structure and Queenstown has shown it can be successful, but it may be costly and complex for Council to establish.
9. Staff recommend affordability criteria option 2(c): 10% of new dwellings must have a floor area of 120m<sup>2</sup> or less (including the garage), as detailed in the Affordability Provision Options section below.
10. Any affordability criteria (whether included in the gazette or not) would be further clarified and agreed through a Stage 2 Private Developer Agreement.

## Background

11. **Housing Accord and Special Housing Areas Act 2013**
12. The purpose of the [Housing Accord and Special Housing Areas Act \(HAASHA\) 2013](#) (the Act) is to “*enhance housing affordability by facilitating an increase in land and housing supply in certain regions and districts*” listed in Schedule 1 of the Act.
13. Hamilton was added to Schedule 1 of the Act in 2015.
14. The Act does not require Council to set affordability measures or address social housing needs. In section 14(1d) it specifies that Council may prescribe that any development within SHAs must contain a percentage of affordable dwellings.
15. Mayor Andrew King signed the Hamilton Housing Accord (the Accord) on [22 December 2016](#).
16. The Council approved the Hamilton Special Housing Areas Policy (the Policy) on [24 August 2017](#).
17. To date, the Council has approved five SHA applications. The following table details their current status:

| SHA             | Minimum housing yield | Status  |
|-----------------|-----------------------|---|
| Te Karearea     | 80                    | Gazetted. QD Consent granted.                                     |
| Rotokauri North | 1,450                 | With MBIE awaiting affordability criteria from the Council        |
| Te Awa Lakes    | 1,000                 | Stage 1 PDA still in negotiation, awaiting affordability criteria |
| Eagle Way       | 150                   | Stage 1 PDA in negotiation  |
| Quentin Rd      | 15                    | Stage 1 PDA in negotiation  |

18. The SHA proposal for Te Karearea was recommended to the Minister for Building and Construction for SHA declaration with no affordability criteria and subsequently gazetted by an Order in Council. This is the only SHA gazetted to date.
19. The proposal for the Ma Development Enterprises (MADE) SHA in Rotokauri North was recommended to the Minister for Building and Construction for SHA declaration with criteria. MBIE have advised Council the specificity of the affordability criteria it proposed did not meet the standard required for an Order in Council and advised that either the criteria should be removed altogether, or more specific criteria would be needed.
20. It is 21 months since the signing of the Accord. 12 months have passed since Council first called for SHA proposals.

21. The date by which SHAs must have lodged their first qualifying development consent is September 2019, and the date of repeal of the Act is 16 September 2021.

## Discussion

22. **Purpose of an affordability provision for SHAs**
23. Hamilton's housing market, like all growth centres in New Zealand, is facing challenges. The type, age, overall stock, and price of housing add to growing affordability pressures facing Hamiltonians.
24. The Council has signalled its intention to include affordability provisions in an Order in Council, and this report summarises information and data to inform and explain the affordability options presented in this report and their consequences. Unfortunately, the extent to which external intervention by the Council is successful in delivering affordable housing is not straightforward or guaranteed.
25. The affordability criteria options discussed below target the housing spectrum at different points, from the social/emergency housing to assisted ownership/market affordable housing.
26. **Consequences of requiring affordability provisions for SHAs**
27. Intervening in SHA developments by introducing affordability provisions has the following effects and consequences.
28. Percentage of the development to be affordable
29. Development feasibility is heavily influenced by the percentage of the development required to meet the affordability criteria. The higher the percentage the more onerous the delivery of affordability is on development feasibility because the developer is constrained to deliver cheaper houses with typically lower returns. The lower the percentage the fewer affordable houses will be delivered.
30. Matching a high percentage (e.g. 40%) with a challenging affordability criterion (e.g. \$500k price cap) places a high cost on development. This increases the likelihood that developments become infeasible.
31. The percentage varies by council across NZ but is generally around 10-15%.
32. Development feasibility and developer investment
33. Requiring an affordability provision for SHAs results in the developers bearing a real cost. This cost being the potential revenue of development with affordability criteria, compared to without affordability criteria.
34. On the other hand, there are potential and substantial profits to be made by the developer who may benefit from land value uplift, strong housing sector demand and location.
35. While land development can be hugely profitable, it is also inherently risky. This profit is needed to incentivise development activity as land development has long timeframes and lack of certainty. Banks want of the order of 25% margins or they won't fund them. Feasibility analysis completed today could be far different than feasibility of the final developed outcome. This can lead to high profits, or large losses. Developers need to build in a margin sufficient enough to warrant the investment.
36. Capital investment by developers will be assessed against their other opportunities. As feasibility falls for the SHA investment, other investments or development options become more attractive and the developer may divert capital. In the worst-case scenario, SHA developments that are deemed not feasible prior to development beginning will not proceed, and no houses will be delivered.

37. SHA land development faces additional costs and risks as the developer is required to fund and provide the bulk strategic infrastructure (usually this is Council's role in land development).
38. Eligibility criteria and demand
39. The affordability provisions set can include criteria to target a subset of people to be eligible to benefit from affordable housing delivered into SHAs.
40. Eligibility criteria are a mechanism to direct the sale of affordable homes to those that meet specified criteria (e.g. first homebuyers or excluding those on high incomes or NZ citizens only). Not having certain criteria (which exclude property investors for example) means the subsidy (cheaper house) could go to someone who does not need the assistance.
41. Limiting the pool of potential buyers gives those who are in the pool an advantage, creating a secondary market (e.g. KiwiBuild) which differs in its demand and supply characteristics.
42. Care must be given to ensure that any criteria does not limit the pool of buyers such that there are more dwellings than buyers. There is a trade-off between assisting a preferred sub-group of buyers eligible for affordable homes and constricting demand such that houses won't sell, and developers lose money.
43. Affordability and eligibility criteria enforcement
44. Depending on the criteria, Council may have new responsibilities to ensure criteria are met. In this instance Council would incur unbudgeted ongoing administrative costs to fund new employees, processes or technology. Badly chosen criteria may prove unenforceable.
45. Council could end up in litigation if developers breach the criteria, particularly if criteria are hard to enforce (e.g. individual incomes or sale price), the financial incentive exists to do so, and the mechanisms of enforcement are weak.
46. Market allocation of resources
47. Requiring an affordability provision for SHAs, to some extent, results in the market being less free. A freer market generally has a more efficient allocation of resources.
48. However, a free market can result in outcomes not desirable from a community standpoint. Because the market has not adequately dealt with the increasing housing affordability issues, it may be appropriate that a state and/or local government intervention is needed to correct this market failing.
49. However, well intended interventions to the market often have unintended outcomes. Any market intervention should demonstrate the rationale and evidence behind the decision and outline the mitigation of any perceived negative collateral outcome. For example, setting a price point without considering how it would be enforced. This may lead to developers explicitly ignoring the price point knowing it will not be enforced or selling below the price point to a collaborating party who immediately on-sells it for profit without it contributing to housing affordability.
50. Staff have had conversations with each of the SHA developers, and they assure us they are clear about ability to deliver, and the potential risks.

51. **Establishing housing trust structure to deliver affordable housing**
52. Tompkins Wake have provided the following notes regarding steps, timing and potential costs to establish a trust model similar to the Queenstown Lakes Community Housing Trust (QLHT) suitable for receiving gifted land or cash from SHA developers, and using that land or its value to deliver affordable housing outcomes.
53. Costs and timing provided are estimates only given the high degree of uncertainty at this predevelopment stage.
54. Stage 1: Trust formation
  - a. Identify initial trustees, core terms, trustee appointment process (including potential Elected Member representation)
  - b. Consider whether or not to seek charitable status. Note - Queenstown lost in the Court of Appeal on this point and was unable to register as charitable.
  - c. Draft trust deed
  - d. Obtain registration and incorporation as a trust board
55. Allow 4-6 weeks for development of deed, including stakeholder input. Costs estimate \$15,000 before GST.
56. Stage 2: Develop a funding and operational model
  - a. How will the trust operate to provide affordable housing? For example:
    - i. sale at a discount ("one-off")
    - ii. retention of an ownership interest with right to re-purchase at say cost plus CPI
    - iii. Retain land ownership and lease.
  - b. Develop legal documentation, processes and policies
57. Allow 12 weeks (excluding any plan change), costs \$50,000 before GST.
58. Operational structure
  - a. Source and train personnel (employees and managers)
  - b. Establish website, application processes
  - c. Ongoing management and funding.
59. Total cost estimated at \$65,000 before GST and 12 weeks to become operational.
60. **Leveraging an existing (external) housing trust**
61. An option potentially exists for Council to leverage an existing trust such as say Momentum or Habitat for Humanity, to achieve similar outcomes.
62. This may streamline the process (particularly if the trust has experience and existing operations in community/social housing and has some of the operational infrastructure in place).
63. Council would need to be comfortable with the trust's governance model, and the method of appointing new trustees (given that significant assets could accumulate in the trust over time, as in Queenstown).
64. The trust, if an existing charity, would want to be comfortable that the new proposed activities did not affect their charitable status per the Court of Appeal decision.
65. Council, at the time of writing, has not made a formal approach to an external trust.

## Affordability Provision Options

66. Staff have assessed that the following six options are the best viable options for the Council to consider. (Staff recommendation in **bold**).
67. **Option 1: Stay silent on affordability in the Order in Council (gazette). Either:**
- a) No affordability provisions or criteria for SHA's at all; or
  - b) No affordability provisions, but agree affordability (e.g. Trust) in the Stage 2 PDA; or
68. **Option 2: Include affordability provision(s) in the Order in Council (gazette):**
- Price point:** One of either:
- a) 10% of dwellings must be sold at 90% of the Hamilton average house value; or
  - b) 20% of dwellings must be sold at 90% of the Hamilton average house value.
- Floor area:** One of either:
- c) **10% of new dwellings must have a floor area of 120m<sup>2</sup> or less (including the garage);** or
  - d) 20% of new dwellings must have a floor area of 120m<sup>2</sup> or less (including the garage).
69. If affordability provisions are desired in the Order in Council, then Council must determine what criteria it will include.
70. Any gazetted affordability criteria would be clarified and agreed through the Stage 2 Private Developer Agreement.
71. **Option 1(a): No affordability criteria in the Order in Council or a PDA**
72. From a process perspective, this option appears to be the quickest way to have an SHA gazetted. Housing affordability is addressed solely by the provision of more housing land in accordance with the purpose of the Act which was established under the prior government, with no criteria for affordability.
73. It provides Council little influence or control over how the SHA develops as far as driving affordability in the subdivision.
74. Since the change in Government, more emphasis has been placed on the provision of affordable housing. This option may not be acceptable to the Housing and Urban Development Minister.
75. **Option 1(b): No affordability criteria in the Order in Council. Negotiated affordability (e.g. Trust) in the PDA.**
76. Gives Council the broadest range of measures for affordability which can be tailored depending on the development through a legal agreement. The housing trust model used by Queenstown is achieved this way.
77. MBIE advised staff that if Council wished to use a housing trust model, no criteria should be included in the Order of Council and agreement should be made through the Stage 2 Private Developer Agreement.
78. Tompkins Wake estimate a timeframe of four to six weeks to establish a suitable trust, and 12 weeks after that for it to be operational, and a total cost of an estimated \$65,000. An option potentially exists for Council to leverage an existing trust such as say Momentum or Habitat for Humanity, to achieve similar outcomes

**Item 5**

79. There exists a minor risk this approach won't be supported by the Housing and Urban Development Minister.
80. **Option 2(a): 10% of dwellings must be sold at or below 90% of the Hamilton average house value**
81. Dwellings sell at or below the specified maximum price, pushing new supply of affordable housing into the market. The market has historically not provided new housing below the average.
82. A price point such as this has the benefit of simplicity in presentation, at a fixed level.
83. Detail of compliance including the definition of average house value and when the price will be applied will be finalised in the Stage 2 PDA.
84. Market intervention through the artificial setting of price points from an economic perspective is generally viewed as unsustainable, prone to gaming, with limited enforceability.
85. Risk that the price point is set too low and developers pull out due to feasibility issues, noting that the price points above represent the average of all houses in Hamilton, not just new builds. The average sale price of new builds will be higher.
86. May encourage sub-optimal housing outcomes as developers minimise costs by reducing quality.
87. If eligibility criteria were also included, it would create new administrative work for Council. In addition, such criteria could limit the number of eligible buyers to an extent that more houses exist than buyers.
88. Enforcement of price point is problematic, and Council has limited mechanisms to enforce sales at a price point available to it. Possibilities include encumbering titles or monitor price point post transaction and rely on good faith sales.
89. **Option 2(b): 20% of dwellings must be sold at or below 90% of the Hamilton average house value**
90. Refer option 2(a), except in this case the development is less feasible and the probability that the developer chooses not to proceed with the development is higher. Council should weigh the benefit of an additional 10% of affordable houses with this increased risk.
91. **Staff recommendation: Option 2(c): 10% of new dwellings must have a floor area of 120m<sup>2</sup> or less (including the garage)**
92. Gross floor area (GFA) strongly correlates with sale price. A larger dwelling sells for more than a smaller dwelling all other things being equal. See attachment 1.
93. Smaller houses are more affordable in perpetuity. A smaller house will remain more affordable in the future than a larger comparable house.
94. Allows the market to adapt to changing consumer preferences and allows developers to be nimbler than under a price point approach. 120m<sup>2</sup> allows typically three, but up to four-bedroom dwelling to be built. More likely it would be a mix of two and three-bedroom dwellings.
95. Can be implemented with little change to Council processes. It would incur only minor cost to administer.
96. This mechanism can guarantee at least that relatively affordable houses are delivered, but not that the houses are sold for a specific price.

97. Developers may choose to deliver some high-spec homes that meet this criterion which will not be at an affordable level. The Council could opt for a lower GFA maximum (e.g. 110m<sup>2</sup>) if it wanted more certainty that the houses delivered would be further to the affordable end of the spectrum.
98. **Option 2(d): 20% of new dwellings must have a floor area of 120m<sup>2</sup> or less (including the garage)**
99. Refer option 2(c), except in this case the development is less feasible and the probability that the developer chooses not to proceed with the development is higher. Council should weigh the benefit of an additional 10% of affordable houses with this risk.

### Legal and Policy Considerations

100. An Order in Council is a way the Executive Council implements legally-enforceable decisions delegated to it by Parliament. The nature of the framework limits what can be included within an Order in Council. It must be clear what the Executive Council has decided.
101. The affordability condition will be met (or the commitment to it confirmed to the satisfaction of council) at the time of the consent application.
102. MBIE have advised Council that is not possible to include affordability conditions requiring dwellings to be sold to specific buyers in the Order in Council, which includes KiwiBuild.
103. MBIE have also advised Council that gifting land assets to a trust is precluded as an affordability provision within an Order in Council too, and if preferred, it should be dealt with through a Private Developer Agreement. This is the way in which Queenstown have incorporated their housing trust into SHA development agreements.

### Risks

104. The more challenging the affordability criteria are from a developer feasibility perspective, the higher the risk of the entire development not proceeding.
105. Adding detailed affordability criteria may be more challenging for SHAs that have been approved where planning has been completed based on previous guidance on this matter.
106. A decision to add qualifying criteria may require additional (unbudgeted) resources over the long term to achieve.
107. The chosen mechanism is not effective in delivering the desired outcome.
108. Hamiltonians may feel that none of these options deliver housing at an affordable level.

## Significance & Engagement Policy

### Significance

109. Staff have considered the key considerations under the Significance and Engagement Policy and have assessed that the matter(s) in this report has/have a low level of significance.

### Engagement

110. Community views and preferences are already known to the Council through [Public consultation](#) on the draft SHA Policy conducted June/July 2017.
111. One view the wider submitters broadly held was that the that the Policy should consider a wider range of social housing issues, including housing affordability. Some submitters opposed this considering the supply of housing to be the best mechanism to improve affordability.

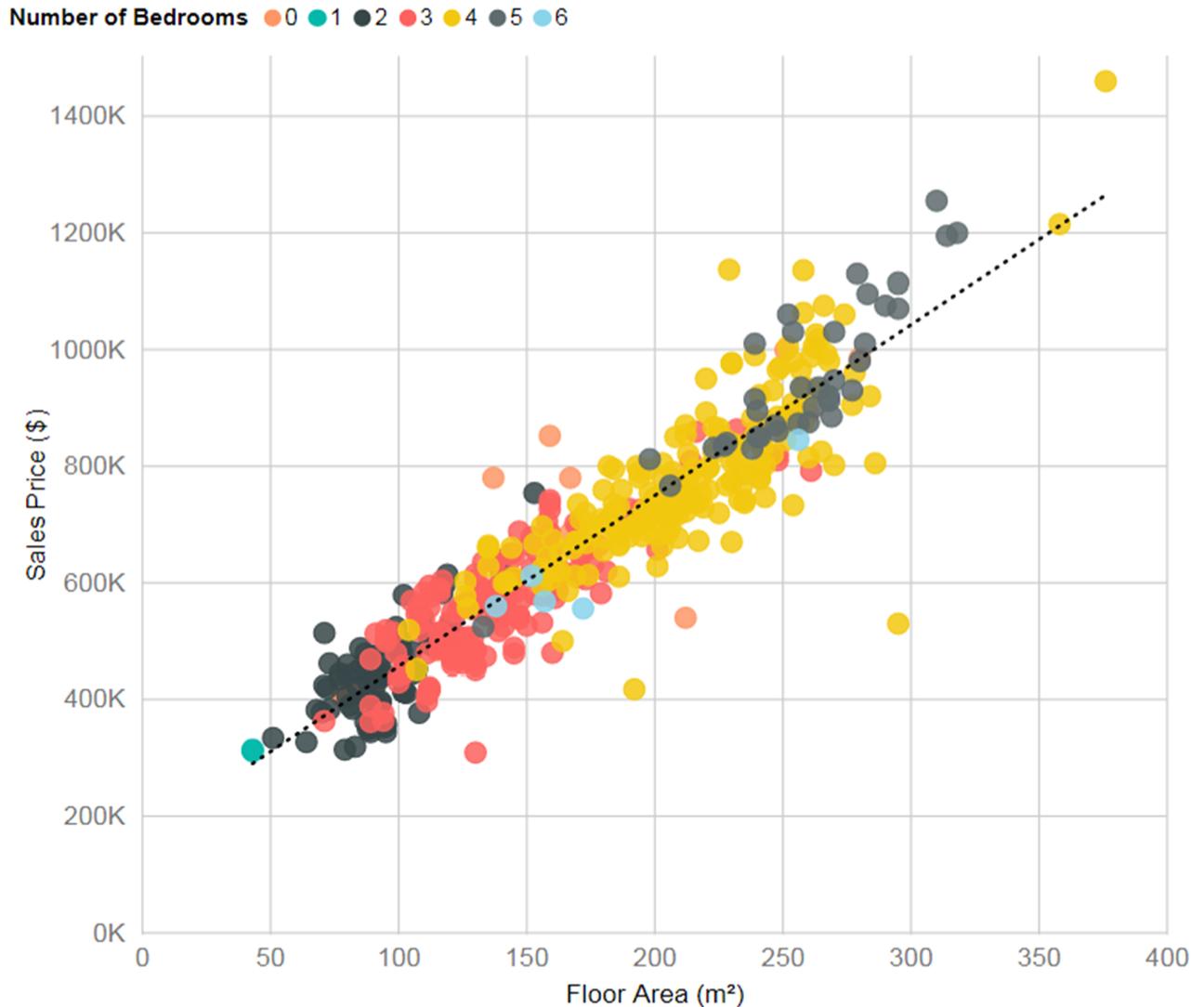
112. Given the low level of significance determined, the engagement level is low. No engagement is required.

**Item 5**

**Attachments**

Attachment 1 - Sales price by floor area 2018 financial year

## Attachment one: Sales price by floor area 2018 financial year



This analysis is based on Hamilton sales data between 1/7/2017 and 30/6/2018 where the floor area of the dwelling is known, and the dwelling was built since 2010.

The dataset used is for all of Hamilton. When split between infill and greenfield the trend line remains similar for each as the total. Infill generally has more observations with lower floor area vice versa.

The median floor area of this data is 160m<sup>2</sup> and the median sales price is \$643k.

Sales of dwellings built since 2010 is used as a proxy for the price a new dwelling. This proxy assumption is a limitation of the data set. It should be noted that new dwellings would sell for more than the equivalent dwelling on this graph but the relationship between sales price and floor area is expected to hold true.

The peach data points labelled 0 bedrooms are sales where no bedroom information is known.

**Resolution to Exclude the Public**

**Section 48, Local Government Official Information and Meetings Act 1987**

The following motion is submitted for consideration:

That the public be excluded from the following parts of the proceedings of this meeting, namely consideration of the public excluded agenda.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution follows.

| General subject of each matter to be considered       | Reasons for passing this resolution in relation to each matter                | Ground(s) under section 48(1) for the passing of this resolution |
|---|---|--|
| C1. Special Housing Area (SHA) Affordability Criteria | ) Good reason to withhold information exists under Section 7 Local Government | Section 48(1)(a)   |
| C2. Amberfield Subdivision Application                | ) Official Information and Meetings Act 1987                                  |  |

This resolution is made in reliance on section 48(1)(a) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by Section 6 or Section 7 of that Act which would be prejudiced by the holding of the whole or relevant part of the proceedings of the meeting in public, as follows:

|          |   |                   |
|----------|---|-------------------|
| Item C1. | to enable Council to carry out commercial activities without disadvantage | Section 7 (2) (h) |
| Item C2. | to enable Council to carry out negotiations                               | Section 7 (2) (i) |