

USING LAND FOR HOUSING ISSUES PAPER 2014

Submission to: The NZ Productivity Commission

By: NZ Institute of Surveyors.

1. Introduction

The Institute of Surveyors welcomes the opportunity to present its views to the Productivity Commission. The Institute represents a large number of land development professionals who have extensive involvement in all stages of planning new urban and rural developments. This involvement ranges from concept design, resource consents for land use and subdivision development, contract management and arranging for the issue of new titles at project completion. These land development professionals have contact with all District and Regional Councils throughout NZ and offer planning advice to a significant part of the NZ development community at all scales of development.

This submission is intended to represent the views of the majority of members and is based, in part, on the views submitted for inclusion by individual members.

In our view, the issues surrounding land supply are both simple and complex. Our general submission is based on the relatively simple approach that land supply is primarily based on the intentions of a developer to purchase land in its elementary form and at the cheapest price and produce individual house lots when conditions are optimum for that developer, having regard to all other influences. Many other commentators has suggested reasons for the lack of land supply as micro and macro-economic matters, but in essence the land development cycle is based on development of a business and production of a commodity.

The NZ Institute of Surveyors is committed to an efficient and productive NZ society and economy where new housing can be provided at the least cost and time. It is intended that the presentation of this submission will help to enable the Commission to successfully achieve the objectives of the Land Supply for Housing investigation.

2. Responses to Questions

Q2 Can the current land planning and development system be made to work better to benefit cities throughout NZ? Is a different type of planning system required to meet the needs for housing in NZ's fastest growing cities?

In our view, the answer to this question is yes. Looking at the history of the RMA and in particular the lack of direction to consider housing and development in the Act (which has seen by many to be a long standing and significant gap in the Act), Local Authorities and their communities have been forced to make up that gap by their own policy making efforts with variable coverage and success across the country. The lack of Government direction to consider one of the most basic needs of all communities – housing, has meant that planning

has been carried out on a local basis without the benefit of a national planning standard. Such a standard has the potential to establish the most important principles of development and the means to carry out development within a national planning instrument. Take, for example, as a comparison Queensland environment law – the purpose of the Sustainable Planning Act 2009 includes managing the process by which development takes place, managing the effects of development on the environment and coordinating planning at national and local levels. The purpose of the Environmental Protection Act 1994 is to protect the environment while allowing for development, so a balance has been created between the natural environment and development, whereas the RMA remains focussed on only one aspect.

Because of this, the chance to explore planning techniques and mechanisms that offer choices for local authorities has probably been severely restricted to a one size fits all methodology; that is plan changes, to enable communities to grow, and to expand and change the status quo. Plan changes in the RMA are a one size fits all method for changes to planning rules and zoning at any scale which can be inefficient in some circumstances and a drag on progress. In order to create a more flexible planning system, some countries have introduced means of implementing localised planning changes within the national legislation to enable a different planning procedures to be adopted to facilitate progress where short time interval are justified. Other countries e.g. Mexico, have adopted a graduated planning system where development projects can be assessed in one of three development categories dependant on size and environmental impact and processed by the Federal Government or local authority dependant on which class the development falls into. The time frames and assessment procedures for each class are different according to the potential impact of the development. What these two examples indicate is that it is possible to create a planning system that is more flexible and adapted to actual development environment than the one size fits all structure in the RMA at present.

Many developers have to deal with both a territorial authority and a regional authority over subdivision developments in particular. This is a far from ideal situation and can be the cause of delay. Concentrating all consents to a single authority would provide efficiency and consistency of policy and rule application.

The relative ease with which a 'potentially affected party' can sink a project is a constant cause of concern. The statistics collected by Councils, that indicate progress on notified consents, does not reveal the true picture of applications with potentially notifiable status that do not get to Council or do not proceed beyond notification.

NZIS members report that a number of projects “fall over” or revert to a less desirable outcome through the mere threat of such projects requiring an adjoining owners consent or being publicly notified. While consultation over a development is often useful and an important right the balance is not right at the present time.

Q3 What criteria should the Commission consider in evaluating the current land planning and development system in NZ?

Firstly, the Commission should focus on how to establish the conditions needed to protect and create attractive and efficient urban environments. This is one of the most basic needs of planning in NZ and a new language should be developed around this for use in all planning documents. Planning is a positive process or should be and it is fortunate that the use of the negative terminology “avoid, remedy or mitigate” is retreating from District Plans to more positive statements like *to create* etc.

Plan changes in Queenstown lakes District are also being looked at and compared to the South Australian system, where proposals must be ratified by the state government before being notified, there are no further submissions after the first submission and no appeals, the process typically takes less than two years (a much shorter period than in NZ). A suggestion is that a system not unlike the process for fast tracking consents for projects of national significance would be appropriate to avoid delays and significant costs.

Q4 Would a significantly increased supply of development capacity lead to an increased supply of affordable housing, or would further regulatory or other interventions be required to achieve that outcome?

If a significant increase in land supply was created under current planning law and District Plan objectives, an automatic increase in the supply of affordable housing is considered to be unlikely in most jurisdictions in NZ if other aspects of the planning system remained the same. Other countries US, Australia have attempted to provide affordable housing as a matter of planning priority but have found that incentives or other means of assistance have been necessary to overcome the barriers created by high land cost and infrastructure charges that impede the provision of cheaper housing. The problem with affordable housing is that it is often associated with cheaper architecture and developers not wanting to mix this with “mainstream” areas with maximised value and higher standards of architectural treatment. Taking this into consideration means increasing the land supply significantly would help, because with good neighbourhood design, the range of housing types can be distributed evenly or unevenly throughout a development area using transition zones and a variety of other design techniques to make affordable housing look “normal”.

Unless the Government and local authorities work together on statute law, regulations and District Plan development to make it clear that affordable housing is in the national interest and is an important social and economic principle, the provision of affordable housing will remain with a very small group of developers. These developers possess both a strong social conscience and the means to create innovative financial instruments, for the target population for whom affordable housing is intended. Overseas examples show that the answers lie in “financial compensation”. Relying on policy and rules alone will not advance the affordable housing stock on its own.

It can be a complex process to facilitate affordable housing, especially in the consenting process. Many District Plans are not set up for affordable housing in the objectives, policies or development rules and that can be a barrier to developers. Development rules that establish a building envelope for single detached housing on standard lot configuration are not necessarily suitable for smaller lot development and multiple unit development and the implications for developers considering more intensive housing can be a barrier. If a local authority permitted a significant increase in land supply planning, a master plan/structure plan approach for that area would in all likelihood require objectives policies and rules to facilitate affordable housing as a matter of principle and avoid imposing planning barriers for developers to obtain consents.

If increased supply leads to an oversupply and then lowers the value of the land itself then, as experienced in some United States Cities, the value of lots might approach the lower levels which permit affordable housing development.

In terms of regulatory interventions such as planning restrictions, this will always be at the expense of the environment and space. NZ does manage to have some of the largest sections available for sale in the developed world. Changing kiwi attitudes to home ownership i.e. large section and dwelling is required to facilitate this. Basically, the majority of people are still battling with the affordable home ownership dream and the reality of what kind of home they can get for that. If people were more accepting of smaller houses/smaller sections/apartments then this would help change the market structure and requirements. This can be led by changes from local authorities, changes to planning rules allowing much smaller lots and higher density provisions, making it easier for people to subdivide and develop could help to achieve this outcome.

In terms of other interventions, Local authorities can look at reducing development contributions. For example, in Queenstown reserve contributions tend to be the most expensive part of the overall development contributions (can be 33% of the entire development contribution). This relates to expensive land values, so land values either need to come down or Council needs to re-address the taking of reserves (this is currently being looked at). The risk here, is that any potential savings may not be passed on and there would need to be something (from a national level not local) which should require developers to pass on any savings.

There does need to be a variety of interventions, as a single mechanism will be not the answer. A top down approach (from Government) is needed to start to help change attitudes and free land up, make developing easier and cheaper, but the community and developers need to understand the costs. The issue here is that home owners who don't want to develop will resist change developers will be all for it whatever the cost and people trying to get into the housing market will also want change. Suitable interventions could be density incentives.

Auckland's Development Contributions are set across the region and are not calculated from land value but on the area's needs, generally around \$20,000. These are challengeable and must be relevant against certain criteria. The question is should development take up all these costs or should they be spread across the area. Development does supply more rates, job opportunities, work force etc. which should also be recognised.

Q5 What data sources will be most useful in identifying effective local authority planning processes for the development of land for housing?

At its most basic level, the housing market is made up of a number of household types dependant on age, family and relationship status, stage in career and in general each household type has different actual and perceived housing needs. For example, single person households require only a small house, while couples with children need larger house with extra internal and external space. A fundamental principle of planning is to recognise the diverse nature of urban communities (meaning households) and provide the planning environment to promote and provide for mixed communities especially within new development areas. In the US and Australia, household composition and categorising is often used for making development policy and is more useful than simple numbers of new housing units built in the past to measure what should be created in the future. Numbers of prior built units does not sufficiently differentiate between houses and household types and is less reflective of what housing should be provided to serve the needs of all sectors of society.

This can be achieved through a Housing Needs Assessment, a common policy making tool in both the above countries which is matched to a Housing Type Census which would highlight any gaps in the supply of housing for each of the individual housing types. Data that can illustrate the household composition and the relative proportions of each household type across larger urban areas are therefore essential for effective planning. This is available in Census data but there needs to be agreement nationally on what household types should be used in such studies. From such data, District Plan policies and rule development can be structured around providing a range of housing types as a matter of course instead of many current planning documents that treat single family homes as the rule and anything else as an exception, if at all.

Other data sources that provide the environmental conditions necessary to support expansion of urban areas include the type of data being considered by the LINZ Geospatial office and includes topographic, climatic, soil inventory, traffic modelling, population growth, labour market distribution and transport routes.

Q8 Alongside the RMA, Local Government and Land Transport Management Acts, are there other statutes that play a significant role in NZ's planning and development system?

The Building Act and Unit Titles Act.

Q9 How easy is it to understand the objectives and requirements of local authority plans? What improves the intelligibility of plans?

The ease of interpretation in District Plans varies widely across NZ with some plans offering highly detailed and prescriptive rules for housing development that can reflect Councils' desire for a high level of control over design and outcomes to a much less restrictive rule environment that permits some design scope and flexibility. It is the experience of a number of members of the Institute that the more rules there are to control design, the higher the incidence of rule conflict which can raise the chance that design outcomes become distorted.

Notable is Queenstown Lakes District Council efforts to strip out unnecessary jargon and create a simplified planning document. Some measures to address complexity included cutting one chapter in half to make it easier to read and reviewing high density zone text as they are currently seen as too restrictive and make intensification difficult and expensive to achieve. In medium density zones, a new control called Floor Area Ratio (FAR) is being proposed as this is seen to be a more enabling form of development control (internationally used mechanism).

Some plans have long winded explanations to accompany issues and strive to seek provide first principles explanations. These are sometimes the cause of the plan becoming very large and unwieldy and difficult to navigate and the cause of much criticism from users. These are often unnecessary as brief statements are often more effective at describing situations or objectives. Many Australian District Plans make very effective use of brief statements and seem to work well without the additional explanation material. Plans written in this manner provide the necessary information very readily and make understanding objectives and compliance more effective.

There is a lack of consistency between Councils as to the scope, extent, and nature of their rules in District Plans. Many surveyors deal with a variety of District Plans e.g. in Wellington there are five urban plans and each plan contains minor differences when addressing the same issue. National templates would be very helpful and would improve efficiency.

Q10 Is ensuring an adequate land supply for housing an objective of current District or Unitary Plans? If so what priority is this objective given?

Many District Plans ascribe no priority to land supply as an objective. At some level it could be regarded as a Significant Resource Management Issue or as an Objective. Land Supply could be described as a matter of sustainability of a region or locality but rarely included or described in a Plan. Some District Plans e.g. Taupo and Western Bay of Plenty cover the land

supply issue well by growth studies with a rolling time line e.g. 20 years in the case of Taupo that seems to have the matter under control. District plan land supply objectives seem to be related to growth areas more than others.

Q13 How can the Plan development process be improved to increase the supply of development capacity?

Developers sometimes face considerable delays in planning processes caused by the appeals process in particular and attendance at the Environment Court. A major source of complaint is that appeals often introduce no new information and that the design of projects is not changed in any respect from the original submission. In addition cross submissions can offer low value information and there appears to be a place for streamlining this part of the process. Appeals can be made on almost any subject whereas some restriction on what item/subject/topic can be appealed would help to make this part of the process more efficient. It is also too easy for one single person to enter the appeals process which seems hardly fair to a developer who is trying to provide an essential service and presents a skewed planning model.

There are jurisdictions overseas where there is a limited public notification period, Council makes a decision and there are no appeals. These appear to be areas where jurisdictions have tried to strike a balance between the economic and social needs of the community and public planning processes. In Australia some appeal procedures allow the local authority to specify exactly what can be appealed and we recommend the Commission investigate this practice. Any practice or procedure that can contain time slippage will assist with land supply and development capacity. There are numerous instances where Plan and consent processes have caused such a delay as to push a development into the next development season which is effectively a years' delay. The cause of the delay can sometimes be on a matter on the fringe of the development proposal and not have any material effect on the development.

All Councils' plan development processes need to reflect a proactive approach to development. The objectives of land development are often not clearly directed which is to build the local economy and improve housing stock and these often get lost in the detailed processes and interactions that take place. The process should reflect a team effort approach between both council and the developer. This worked successfully in the Millwater development area in Orewa, Auckland. Councils need to move away from being purely a regulatory body and consider economic effects and impacts of development. The team approach would bring together all council's resources / divisions (including members of the executive management team) and stormwater, parks, roading and water under a single umbrella with a mind set to encourage development. These divisions would be mandated to provide for the future extension of infrastructure within the developable areas. Some certainty as to when these services would be available is imperative. The Special Housing Authority is a start. It is unfortunate that the council resources haven't been

able to agree on the expenditure required for the infrastructure expansion nor mandated to ensure these costs are in the Long Term Plan (Auckland). Nor has council seen fit to develop structure plans for these areas, especially the future development areas.

Q14 How accurate are local authority assessments of the demand for and supply of land? How well do they reflect market demands and the actual development capacity of land? Are there any good examples of supply and demand forecasts?

Land supply demand analysis is usually done using historical building consent and subdivision construction progress using an averaging process to project forward demand. In practice there is no need for high accuracy due to the natural variability of market demand and economic conditions. This means that as long as there is a reasonable time scale for the availability there is generally no problem. The international standard for land supply availability is about 14 or 15 years which seems to have proven to be acceptable period over a few decades in the US and Australia and is just as relevant to the NZ situation. Councils can sometimes get caught by unexpected development proposals that reduce the supply of land very quickly and also by rapid development during boom years especially on the margins of existing urban areas.

The difficulty is how local authorities calculate what land is currently available. There has been criticism of the former Auckland Regional Council including larger lots in urban areas that are considered to have two lot infill potential based largely on the site area and that this presented an inaccurate picture of currently available developable land. It is suggested that the Commission investigate this methodology to determine how effective or relevant it is to the levels of overall land supply issue that the Government is currently interested in.

This generally results in an undersupply of land since the small infill subdivision is not a large contributor to housing supply (low volume, slower rate of supply) compared to greenfield and brownfield development. Coupled with a general view in some Councils that the supply of land should be tightly controlled i.e. rezoning “just enough”, can create inefficiencies, higher long term costs, limits the number of developers who can supply houses and participate in urban development, can constrain development progress because of land banking effects where the development area is not large. A more liberal and expansive attitude to rezoning land would also help with infrastructure and transportation planning and may also help to contain the rate that land values increase due to rezoning.

Q16 How effective are local authorities in ensuring that the rules and regulations governing land use are necessary and proportionate?

This varies across all Councils and a useful comparison can be made between Plans that have no minimum area for subdivision lots across all urban zones and Plan that have lot areas control limiting lots sizes to 400m² for example. The no minimum area rule is useful in permitting a variety of housing to be built to suit a variety of households and affordability

levels and is a more flexible approach to general housing supply. Some good examples of this exist in Porirua. A strict minimum area approach can lead to inequalities in some areas e.g. where a 350m² site is adequate for many forms of housing but the planning barriers are significantly against such development. The area rule is an artificial device to protect neighbourhood character however as the 350m² example shows, the same house can be built on lots of both 350m² and 400m² so is a restrictive practice.

There are many other items in Plans that could be examined for relevance e.g. some plans define retirement villages as a non residential use. This may be for practical Plan administration reasons but conflicts with the idea that all urban residential areas are made up of many different activities including shops, retirement villages etc. that Plans should recognise and encourage.

Increasing use and requirements for consultants and developers to submit management plans for particular segments or activities in a development can be onerous expensive and of little practical use.

Q19 What impact does transport planning have on the supply of development capacity?

This question has many answers and can depend on a case by case approach dependant on many factors such as condition of surrounding roading network, distance to State Highway and NZTA influence, size of development potential at a particular location etc. An example might be in Porirua where the Northern gateway land has been identified for future residential expansion and structure plan development but access to State Highway One from the entire development area is restricted until NZTA are satisfied that the highway has the ability to handle the expected traffic flows form the development block. It may be that the conditions where the highway can accept additional traffic have to wait until Transmission Gully has been built in 2020. In another case NZTA resisted development in a Northland location until a new roundabout was built on State Highway One to create a safer intersection. The integration of transport planning with development potential is an essential part of forward planning for urban expansion and just as importantly, construction of upgraded transport infrastructure to meet development timetables. If not taken into account at a very early stage the lack of transport capacity has as much potential to delay projects as the provision of other essential services such as wastewater and water supply where such services do not have the capacity to serve future development.

It is essential that transport planning anticipate forward development and upgrading timed to coincide with development. Transport planning and improvements are often the means to unlock redevelopment potential in existing urban areas also so that access to other networks and facilities is made easier and cheaper.

Q23 Are rules consistently applied in your area? Is certainty of implementation more important than flexibility?

Certainty of implementation is seen to be essential so that a Plan is able to be relied on by the community, but flexibility is important to account for the needs of society that are continually changing e.g. parking needs reducing over time due to changes in vehicle design or whether a commercial/industrial/retail area needs to adjust parking ratios to account for changing nature of business, the need to change the housing development rules to account for new forms of housing, home occupations, changes to activities like retirement villages as business innovates and evolves. Without flexibility, Plans and consents can hinder efficient economic development and create a drag on the economy through unnecessary expenditure or time delays, so is in the national interest.

Councils cannot predict all forms of development either and with developers presenting new and innovative proposals and ideas, Plans must have the flexibility to enable urban development take advantage of creative and innovative projects.

Q26 What effect do design guidelines have on the availability of effective land for housing? Are the processes by which land can depart from a design guideline transparent and applied consistently

It's not known if design guidelines have any effect or not on the supply of land for housing but it is suspected that it has little effect. It is considered that most developers would have regard to design guidelines applying to a site but try to ensure that their own development intentions would be given priority.

Q27 How many developers work in more than one local authority? Do variations in planning rules between councils complicate, delay or add unnecessary cost to the process of developing land for housing

Many developers do work in more than one local authority area. It is not clear that variations between Councils planning rules add extra cost to developments because of the variances but this can add complications. This is especially true with engineering requirements as there are locations throughout NZ where certain standards are required to be met in one local authority and firmly held to and in an adjoining area there is a more flexible attitude, perhaps more performance based, particularly in road design standards. Even through NZS4404 2010 Land Development and Subdivision Infrastructure is available to guide design development, most local authorities have their own set of unique design standards for their own area creating differences between local authority areas and development standards.

Q30 have resource consent processing times resulted in unnecessary delays in the development of land for housing? If so do you anticipate that the recent change to processing timeframes will address delays?

Delays occur for a number of reasons. The practice of identifying activities with a minor effect that then require neighbours consents are a source of delay and are unnecessary and costly. The practice of assuming that anything that departs from a standard model of a housing development needs neighbours approvals needs reassessment. Residential areas are a source of very wide variability in site development, house form and style, parking arrangements etc. but the application of strictly applied rules for minor rule breaches requiring neighbours approvals is often out of scale with the effect.

Delays can be caused by differences in opinion within Councils and between Councils. For example there can be divergent views internally about road design and stormwater treatment between the urban design team, the roading team and the maintenance team, disagreement between departments about the need for and the size and location of reserves and disagreement between Councils (District and Regional) about what stormwater infrastructure is appropriate. In such cases developers are forced to wait, sometimes very long periods (i.e. months) while the Council works through the issues. This is often a result of the silo structure of Councils. When these type of problems are confined to officer level the time periods for resolution can be extensive leaving the only option to developers to approach Council at the highest level for final determination of a solution.

There are often situations where an applicant requires consent for a single small matter that is of low consequence that still requires a formal consent process and time delay to go through. The application of District Plan rules and the assessing planners reporting requirements often result is a 20 day turnaround overly significant processing fee. Plans are not flexible enough to enable processing of such activities speedily and in proportion to the effect of the proposal. Processing staff should be given delegated authority to make a decision about such activities with a pro forma report that can be signed off with five days for example with the minimum amount of work involved. The recent law changes will assist a little but the examples given above depend on a much more strategic view of Council operations and structure.

Q31 What explains the variation between jurisdictions regarding requests for additional information and the use of stop the clock provisions when assessing resource consent applications?

This can be related to the experience of assessing staff. It appears that many requests for further information are seeking clarification about a matter already submitted, that a person with experience might consider a minor matter. It is often a question of judgement about what is material to the application and what is peripheral and this variation between Councils is most likely due to an operational policy within the processing teams that some Councils have adopted, other have not, to critically analyse what is actually needed and what is unnecessary.

Q33 What explains the reduction in the prevalence of pre hearing meetings?

The answer is that it all depends on the case and it's not known if there is a trend or not. Pre hearing meetings can be successful if the parties are willing to work towards a solution and the issues to be discussed are not significant ones. On the other hand if submitters demand to be heard and there are very contentious elements to the application pre hearing meetings are probably not going to be effective and they take a lot of time for Council planners and Administration staff to organise.

Q38 In your experience what impact do conditions on resource consents have on the viability of development projects?

It is considered that only in very rare cases do conditions have an impact on development project viability. Most development follows a relatively standard and predictable model. Cases where there is a sudden and large increase in development contributions by local authorities can have serious impacts on the viability of projects requiring extra lending and interest costs etc., and there is no ability to raise prices to compensate, upgrades to engineering standards requiring new products and materials and standards can also have a substantial impact especially in delays and costs, Council requiring extensive road upgrading outside the subdivision especially in rural areas are examples where unexpected events can cause effects on financial viability of projects. Councils sometimes announce changes to policy and costs with short notice which can easily affect a developer part way through a development. If higher charges in particular have a long notice period that can give a developer time to adjust consent progress to help overcome the new imposition.

Q45 Are there particular aspects of the system or particular types of infrastructure that are problematic?

It is the experience of many members that land availability and cost within New Zealand is governed largely by supply and demand. While some commentators on this issue claim technical reasons related to the financial system or a local authority performance to "cause" supply problems, it is at the end of the day a response by developers and the motivation to earn a profit, provide return to shareholders and move prices when they can that drives price and supply solutions. If a developer can raise prices because he can, this is when demand is such that higher prices can be charged and the developer will generally make the changes. The reason for lack of demand that have been experienced include a large urban local authority not rezoning land for residential purposes for at least ten years creating a shortage when a surge on demand took place - the possibility of a surge in demand was not taken into account in planning for residential land expansion and the time horizon for residential expansion was too short. Another example of the short supply/higher prices phenomenon occurred when a group of builders in one part of Auckland found price rises, a lack of choice and unduly restrictive building Act compliance from one local authority "encouraged" them to look elsewhere leading to price and supply issues in the new area.

Another problematic issue that many commentators neglect to recognise is that the construction season in most urban areas is a restricted length of time in summer and spring months in general which imposes a natural limitation of the quantum of earthworks possible in one season. The lead up to a construction season is usually 6 to 8 months of detailed design, and consenting, negotiation with local authorities, contract preparation and tender negotiations. Then there are other natural restrictions on the maximum area of land that can be uncovered in one construction season due to consent conditions and the amount of silt and sediment control required to meet environmental standards, all contributing to restricted periods for construction activity.

It may be ok to criticise developers for providing insufficient lots to the market in any one season but there are these “problematic” issues arising from construction season and limiting exposure to excess borrowing and higher interest costs. When a developer has experienced an annual rate of sales in one particular area and sales conditions are unlikely to change within the foreseeable future then it is a simple business decision to only provide enough sections to meet market demand for two years, sufficient to provide the sales force with product until a new round of consents and approvals can catch up in readiness for when the earlier lots were provided to the market.

Another problematic issue is the effect that the GFC has had on developers business practices. De-risking by buying fewer sections by builders is more common in case another crash or downturn occurs. This can dampen sales for developers slightly contributing to longer sell out period and delays in starting new subdivisions.

Even taking into account these influences and also resource consent and plan change processes and costs, from my observation, there appears to be little incentive for developers to supply greater numbers of sections than they decide is appropriate when market demand is high.

Rezoning more land for residential purposes would assist with this but that is a limited resource often confined by the ability to service those areas, community opposition and the wish to retain rural productive land or landscape and/or rural character features.

It is difficult to identify a simple solution to address the supply of further land for residential purposes effectively and that will reduce land prices and believe that this is something the Commission will also find difficult to grapple with. It must also be kept in mind that as the developer at the end of the day is the person or company taking the risk associated with developing land, which when demand drops, as happened recently in the Global Financial Crisis, can result in a number of developers and developments failing financially through lack of demand and the low prices people were willing to pay for sections during this time

Watercare and the expansion of the wastewater network is years behind. Auckland’s Special Housing Areas are being compromised by insufficient wastewater capacity.

Q53 Are there particular types of development (eg Greenfields, infill etc) that are less costly to service with infrastructure? What evidence can you provide about any variation in infrastructure costs.

In a standard greenfields subdivision, the developer pays for the complete infrastructure package to service lots to an adequate level with sewer, stormwater, water supply, telecoms and power and gas and roading. The costs of this form part of the price. It makes little difference who pays for this as the cost would be passed onto section buyers by any party who laid the services. In such developments usually 100% of the infrastructure will be built to Council standards so that the Council can take over ownership and responsibility for the remainder of the infrastructure lifetime.

For some small scale infill development, some infrastructure such as sewer and stormwater can be built to a lower standard and retained by owners as privately owned pipelines although this practice can vary depending on the particular policy of Council. For larger infill housing development pipeline infrastructure will probably be more towards public standards and similar to greenfield subdivision.

For higher density subdivisions that involve multi-story buildings or unit title developments the infrastructure costs can be reduced because the main supply infrastructure can be arranged so that one point of supply is possible eg a power transformer might serve one building with internal wire configuration to a different standard of supply for a greenfield lot. Multi-story buildings can also have one point of water supply connection e.g. one \$12,000 payment to Metrowater in Auckland might serve a building of 40 apartments which means that compared to a greenfield subdivision with 40 lots, 39 units in that building have avoided the \$12,000 fee. So in a general sense infrastructure costs for higher density unit development in particular will probably have lower infrastructure costs per unit than a green field situation. Care has to be taken in assuming this is the case everywhere as there are areas where there constraints on stormwater disposal and detention may be necessary on site so costs can be higher in particular cases.

Q54 Do development contribution policies incentivise efficient decisions about land use or do they unduly restrict the supply of land for housing

Development contributions are essentially just another development cost or charge and raise the price of land. It is difficult to see how they would unduly restrict the supply of land for housing in a greenfields situation as the selling prices would have the charges built in and if the market is comfortable paying the increased amount and has factored in the higher prices, then its seems unlikely that delays would occur.

Delays in developing land will most likely arise when there is a market expectation for sale prices that precede the introduction of new development contribution costs (i.e. the developer will have to raise prices to accommodate the contributions and wait till the

buying market adjust to the new price levels), or where development contributions are raised substantially and an adjustment period is also required.

Q59 What alternative approaches for funding infrastructure should be considered in NZ's high growth areas.

Local authority bonds are widely used overseas and offer a viable means of obtaining development funding. The only other choices local authorities seem to have is standard borrowing practices and developer agreements with cost sharing for specific projects. Developer agreements can be very costly and take a long time to prepare and negotiate especially if the Council is not used to the legal agreements that such arrangements require. Bonds seem to be a more flexible and faster approach to securing funding especially when backed by legislation and support from other Government departments such as Treasury and the Auditor's office.

A lack of public funding for infrastructure upgrades or new works can create a substantial drag on land development due to the length of time it takes to adjust Long Term Plans and budgets and a more flexible system needs to be in place outside the Long Term Plan to allow Councils to obtain more immediate sources of funding. Where land is available and zoned for residential development, the cost of providing infrastructure such as reservoirs can make a development uneconomic, especially for the 'first developer off the rank.'

Q64 Are there good examples of local authorities, in areas where there is a housing shortage, working well with landowners who want to build housing for whanau on Maori land?

We suggest looking onto a development at Parihaka in New Plymouth District.

Q66 How important is the aggregation of land for housing development? How difficult is it? Do some local authorities have processes in place that make land aggregation easier- if so which ones?

Aggregation of land is a very important planning mechanism. The results of large land parcels being developed into a range of housing forms and styles with integrated planning and design over the last decade has made substantial improvements to the quality of urban environments particularly in Auckland and Christchurch and is a recommended practice.

It is common to have a very fractured landownership pattern in green fields development areas. This makes it virtually impossible to implement catchment based planning for infrastructure requirements as individual owners do not want to contribute if they perceive their returns are lower than another property owner. There are issues with connections

through properties where owners are extorting ridiculous connection fees adding unnecessarily to development costs.

The process of aggregation can be simple or difficult depending on a few factors such as the willingness of existing land owners to moving and their ability to obtain a new house in the same or similar area, the ability of the developer to keep price expectations in check to avoid excessive land purchase costs and also the implications on the developer with regard to future consenting for new development with the usual considerations for notification, infrastructure upgrading etc.

Councils can help with good infrastructure planning and consent processes to avoid lengthy delays.

Q67 Is there a need for public agencies that can aggregate land in NZ cities? If so, who should establish these agencies? What powers and functions should they have?

We suggest that aggregation of land for housing by a public agency should be seriously investigated. From a design point of view aggregation of many smaller parcels into large development blocks offers very substantial benefits to communities through the improvement in design options.

Aggregation can also accelerate development in city in areas where growth is non existent or areas need refreshment and improving to promote growth across a city area. If managed by a combination of both private and public sector contributions such as Waitakere properties in the 1990's then results can be very successful. Such an agency needs to be a separate entity from Council and able to operate independently from Councils normal structure.

It would be advantageous if such agencies could have the use of special development area processes that could accelerate the planning and consenting processes such as "precinct planning area" or "local area plan" or some such description that could be applied to a specifically identified development are supported by legislation (RMA or Local Government Act) and the District Plan.

Q69 How much land in NZ is being held in anticipation of future price rises? What evidence is there?

This is difficult to answer accurately but we suspect that it's less than what most observers believe. Land has to be held back from immediate sale for a number of reasons, but developers will generally only undertake development when conditions are right - that is when a developer is certain and is able to prove to a funding agency that the project is viable, that there will be a reasonably consistent sales rate throughout the project and that the developer has the personal circumstances to undertake the project (i.e. time and energy). Without these in place any development is a highly risky exercise with high chance

of failure. There seems to be a lot of blame attached to landowners withholding land from development but there are very few other industry sectors that carries so much risk in relation to the capital requirements.

Q71 How common is the use of housing covenants in new housing developments? To what extent are private covenants restricting the supply of development capacity?

Housing covenants are extremely common and can vary widely in the terms included. It is considered that covenants have little, if any, effect on development capacity.

Q72 What are the advantages and disadvantages of the Housing Accords and Special Housing Areas Act 2013 and of its implementation to date?

Initially, the concept of SHA's seemed a good concept, however, some of the NZIS members with extensive experience in the Housing Accords Act and SHA's in Auckland do not see any advantages of the SHA process due to the following:

Lack of Infrastructure a major constraint. Having to reach agreement with Auckland Transport and Watercare has been a major frustration and has added time to the process.

- a) Lack of Infrastructure a major constraint. Having to reach agreement with Auckland Transport and Watercare has been a major frustration and has added time to the process.
- b) Too many applications have been submitted to the Housing Office at the same time and this has resulted in delays in processing. The whole process has become very overloaded. There has been a lot of talk about how beneficial the programme is but to date we believe that it has been a lot of talk, with very little tangible results. There has been a loss of local knowledge in the processing of engineering approvals. Previously this was dealt with within an area office but now it is being dealt with by Housing Office staff that quite often have different engineering requirements.
- c) some members have been involved in SHA's that were announced in the first Tranche but are still waiting to go through a plan change process, so there is no real benefit.
- d) The SHA process has essentially duplicated the RMA; the officers involved in the process are all essentially of the same mind set as the process currently administered by Council. This means that we are dealing with the same bureaucratic processes as under the RMA.

Essentially, we believe that the RMA process is a good process, but the varying interpretation of the Act's requirements along with a general unwillingness to make unpopular decisions (particularly when elected officials are involved) is creating a problem.

The introduction of the SHA process has created another layer of bureaucracy and a large number of the administrators revert back to type when dealing with applications.

SHA's have been pursued on some sites without the full participation of all owners. Consequently, the sites are unable to be developed as connections to infrastructure can't be made.

P Rhodes

Vice President on behalf of the NZ Institute of Surveyors

USING LAND FOR HOUSING ISSUES PAPER 2014

Submission to: The NZ Productivity Commission

By: NZ Institute of Surveyors.

1. Introduction

The Institute of Surveyors welcomes the opportunity to present its views to the Productivity Commission. The Institute represents a large number of land development professionals who have extensive involvement in all stages of planning new urban and rural developments. This involvement ranges from concept design, resource consents for land use and subdivision development, contract management and arranging for the issue of new titles at project completion. These land development professionals have contact with all District and Regional Councils throughout NZ and offer planning advice to a significant part of the NZ development community at all scales of development.

This submission is intended to represent the views of the majority of members and is based, in part, on the views submitted for inclusion by individual members.

In our view, the issues surrounding land supply are both simple and complex. Our general submission is based on the relatively simple approach that land supply is primarily based on the intentions of a developer to purchase land in its elementary form and at the cheapest price and produce individual house lots when conditions are optimum for that developer, having regard to all other influences. Many other commentators has suggested reasons for the lack of land supply as micro and macro-economic matters, but in essence the land development cycle is based on development of a business and production of a commodity.

The NZ Institute of Surveyors is committed to an efficient and productive NZ society and economy where new housing can be provided at the least cost and time. It is intended that the presentation of this submission will help to enable the Commission to successfully achieve the objectives of the Land Supply for Housing investigation.

2. Responses to Questions

Q2 Can the current land planning and development system be made to work better to benefit cities throughout NZ? Is a different type of planning system required to meet the needs for housing in NZ's fastest growing cities?

In our view, the answer to this question is yes. Looking at the history of the RMA and in particular the lack of direction to consider housing and development in the Act (which has seen by many to be a long standing and significant gap in the Act), Local Authorities and their communities have been forced to make up that gap by their own policy making efforts with variable coverage and success across the country. The lack of Government direction to consider one of the most basic needs of all communities – housing, has meant that planning

has been carried out on a local basis without the benefit of a national planning standard. Such a standard has the potential to establish the most important principles of development and the means to carry out development within a national planning instrument. Take, for example, as a comparison Queensland environment law – the purpose of the Sustainable Planning Act 2009 includes managing the process by which development takes place, managing the effects of development on the environment and coordinating planning at national and local levels. The purpose of the Environmental Protection Act 1994 is to protect the environment while allowing for development, so a balance has been created between the natural environment and development, whereas the RMA remains focussed on only one aspect.

Because of this, the chance to explore planning techniques and mechanisms that offer choices for local authorities has probably been severely restricted to a one size fits all methodology; that is plan changes, to enable communities to grow, and to expand and change the status quo. Plan changes in the RMA are a one size fits all method for changes to planning rules and zoning at any scale which can be inefficient in some circumstances and a drag on progress. In order to create a more flexible planning system, some countries have introduced means of implementing localised planning changes within the national legislation to enable a different planning procedures to be adopted to facilitate progress where short time interval are justified. Other countries e.g. Mexico, have adopted a graduated planning system where development projects can be assessed in one of three development categories dependant on size and environmental impact and processed by the Federal Government or local authority dependant on which class the development falls into. The time frames and assessment procedures for each class are different according to the potential impact of the development. What these two examples indicate is that it is possible to create a planning system that is more flexible and adapted to actual development environment than the one size fits all structure in the RMA at present.

Many developers have to deal with both a territorial authority and a regional authority over subdivision developments in particular. This is a far from ideal situation and can be the cause of delay. Concentrating all consents to a single authority would provide efficiency and consistency of policy and rule application.

The relative ease with which a 'potentially affected party' can sink a project is a constant cause of concern. The statistics collected by Councils, that indicate progress on notified consents, does not reveal the true picture of applications with potentially notifiable status that do not get to Council or do not proceed beyond notification.

NZIS members report that a number of projects “fall over” or revert to a less desirable outcome through the mere threat of such projects requiring an adjoining owners consent or being publicly notified. While consultation over a development is often useful and an important right the balance is not right at the present time.

Q3 What criteria should the Commission consider in evaluating the current land planning and development system in NZ?

Firstly, the Commission should focus on how to establish the conditions needed to protect and create attractive and efficient urban environments. This is one of the most basic needs of planning in NZ and a new language should be developed around this for use in all planning documents. Planning is a positive process or should be and it is fortunate that the use of the negative terminology “avoid, remedy or mitigate” is retreating from District Plans to more positive statements like *to create* etc.

Plan changes in Queenstown lakes District are also being looked at and compared to the South Australian system, where proposals must be ratified by the state government before being notified, there are no further submissions after the first submission and no appeals, the process typically takes less than two years (a much shorter period than in NZ). A suggestion is that a system not unlike the process for fast tracking consents for projects of national significance would be appropriate to avoid delays and significant costs.

Q4 Would a significantly increased supply of development capacity lead to an increased supply of affordable housing, or would further regulatory or other interventions be required to achieve that outcome?

If a significant increase in land supply was created under current planning law and District Plan objectives, an automatic increase in the supply of affordable housing is considered to be unlikely in most jurisdictions in NZ if other aspects of the planning system remained the same. Other countries US, Australia have attempted to provide affordable housing as a matter of planning priority but have found that incentives or other means of assistance have been necessary to overcome the barriers created by high land cost and infrastructure charges that impede the provision of cheaper housing. The problem with affordable housing is that it is often associated with cheaper architecture and developers not wanting to mix this with “mainstream” areas with maximised value and higher standards of architectural treatment. Taking this into consideration means increasing the land supply significantly would help, because with good neighbourhood design, the range of housing types can be distributed evenly or unevenly throughout a development area using transition zones and a variety of other design techniques to make affordable housing look “normal”.

Unless the Government and local authorities work together on statute law, regulations and District Plan development to make it clear that affordable housing is in the national interest and is an important social and economic principle, the provision of affordable housing will remain with a very small group of developers. These developers possess both a strong social conscience and the means to create innovative financial instruments, for the target population for whom affordable housing is intended. Overseas examples show that the answers lie in “financial compensation”. Relying on policy and rules alone will not advance the affordable housing stock on its own.

It can be a complex process to facilitate affordable housing, especially in the consenting process. Many District Plans are not set up for affordable housing in the objectives, policies or development rules and that can be a barrier to developers. Development rules that establish a building envelope for single detached housing on standard lot configuration are not necessarily suitable for smaller lot development and multiple unit development and the implications for developers considering more intensive housing can be a barrier. If a local authority permitted a significant increase in land supply planning, a master plan/structure plan approach for that area would in all likelihood require objectives policies and rules to facilitate affordable housing as a matter of principle and avoid imposing planning barriers for developers to obtain consents.

If increased supply leads to an oversupply and then lowers the value of the land itself then, as experienced in some United States Cities, the value of lots might approach the lower levels which permit affordable housing development.

In terms of regulatory interventions such as planning restrictions, this will always be at the expense of the environment and space. NZ does manage to have some of the largest sections available for sale in the developed world. Changing kiwi attitudes to home ownership i.e. large section and dwelling is required to facilitate this. Basically, the majority of people are still battling with the affordable home ownership dream and the reality of what kind of home they can get for that. If people were more accepting of smaller houses/smaller sections/apartments then this would help change the market structure and requirements. This can be led by changes from local authorities, changes to planning rules allowing much smaller lots and higher density provisions, making it easier for people to subdivide and develop could help to achieve this outcome.

In terms of other interventions, Local authorities can look at reducing development contributions. For example, in Queenstown reserve contributions tend to be the most expensive part of the overall development contributions (can be 33% of the entire development contribution). This relates to expensive land values, so land values either need to come down or Council needs to re-address the taking of reserves (this is currently being looked at). The risk here, is that any potential savings may not be passed on and there would need to be something (from a national level not local) which should require developers to pass on any savings.

There does need to be a variety of interventions, as a single mechanism will be not the answer. A top down approach (from Government) is needed to start to help change attitudes and free land up, make developing easier and cheaper, but the community and developers need to understand the costs. The issue here is that home owners who don't want to develop will resist change developers will be all for it whatever the cost and people trying to get into the housing market will also want change. Suitable interventions could be density incentives.

Auckland's Development Contributions are set across the region and are not calculated from land value but on the area's needs, generally around \$20,000. These are challengeable and must be relevant against certain criteria. The question is should development take up all these costs or should they be spread across the area. Development does supply more rates, job opportunities, work force etc. which should also be recognised.

Q5 What data sources will be most useful in identifying effective local authority planning processes for the development of land for housing?

At its most basic level, the housing market is made up of a number of household types dependant on age, family and relationship status, stage in career and in general each household type has different actual and perceived housing needs. For example, single person households require only a small house, while couples with children need larger house with extra internal and external space. A fundamental principle of planning is to recognise the diverse nature of urban communities (meaning households) and provide the planning environment to promote and provide for mixed communities especially within new development areas. In the US and Australia, household composition and categorising is often used for making development policy and is more useful than simple numbers of new housing units built in the past to measure what should be created in the future. Numbers of prior built units does not sufficiently differentiate between houses and household types and is less reflective of what housing should be provided to serve the needs of all sectors of society.

This can be achieved through a Housing Needs Assessment, a common policy making tool in both the above countries which is matched to a Housing Type Census which would highlight any gaps in the supply of housing for each of the individual housing types. Data that can illustrate the household composition and the relative proportions of each household type across larger urban areas are therefore essential for effective planning. This is available in Census data but there needs to be agreement nationally on what household types should be used in such studies. From such data, District Plan policies and rule development can be structured around providing a range of housing types as a matter of course instead of many current planning documents that treat single family homes as the rule and anything else as an exception, if at all.

Other data sources that provide the environmental conditions necessary to support expansion of urban areas include the type of data being considered by the LINZ Geospatial office and includes topographic, climatic, soil inventory, traffic modelling, population growth, labour market distribution and transport routes.

Q8 Alongside the RMA, Local Government and Land Transport Management Acts, are there other statutes that play a significant role in NZ's planning and development system?

The Building Act and Unit Titles Act.

Q9 How easy is it to understand the objectives and requirements of local authority plans? What improves the intelligibility of plans?

The ease of interpretation in District Plans varies widely across NZ with some plans offering highly detailed and prescriptive rules for housing development that can reflect Councils' desire for a high level of control over design and outcomes to a much less restrictive rule environment that permits some design scope and flexibility. It is the experience of a number of members of the Institute that the more rules there are to control design, the higher the incidence of rule conflict which can raise the chance that design outcomes become distorted.

Notable is Queenstown Lakes District Council efforts to strip out unnecessary jargon and create a simplified planning document. Some measures to address complexity included cutting one chapter in half to make it easier to read and reviewing high density zone text as they are currently seen as too restrictive and make intensification difficult and expensive to achieve. In medium density zones, a new control called Floor Area Ratio (FAR) is being proposed as this is seen to be a more enabling form of development control (internationally used mechanism).

Some plans have long winded explanations to accompany issues and strive to seek provide first principles explanations. These are sometimes the cause of the plan becoming very large and unwieldy and difficult to navigate and the cause of much criticism from users. These are often unnecessary as brief statements are often more effective at describing situations or objectives. Many Australian District Plans make very effective use of brief statements and seem to work well without the additional explanation material. Plans written in this manner provide the necessary information very readily and make understanding objectives and compliance more effective.

There is a lack of consistency between Councils as to the scope, extent, and nature of their rules in District Plans. Many surveyors deal with a variety of District Plans e.g. in Wellington there are five urban plans and each plan contains minor differences when addressing the same issue. National templates would be very helpful and would improve efficiency.

Q10 Is ensuring an adequate land supply for housing an objective of current District or Unitary Plans? If so what priority is this objective given?

Many District Plans ascribe no priority to land supply as an objective. At some level it could be regarded as a Significant Resource Management Issue or as an Objective. Land Supply could be described as a matter of sustainability of a region or locality but rarely included or described in a Plan. Some District Plans e.g. Taupo and Western Bay of Plenty cover the land

supply issue well by growth studies with a rolling time line e.g. 20 years in the case of Taupo that seems to have the matter under control. District plan land supply objectives seem to be related to growth areas more than others.

Q13 How can the Plan development process be improved to increase the supply of development capacity?

Developers sometimes face considerable delays in planning processes caused by the appeals process in particular and attendance at the Environment Court. A major source of complaint is that appeals often introduce no new information and that the design of projects is not changed in any respect from the original submission. In addition cross submissions can offer low value information and there appears to be a place for streamlining this part of the process. Appeals can be made on almost any subject whereas some restriction on what item/subject/topic can be appealed would help to make this part of the process more efficient. It is also too easy for one single person to enter the appeals process which seems hardly fair to a developer who is trying to provide an essential service and presents a skewed planning model.

There are jurisdictions overseas where there is a limited public notification period, Council makes a decision and there are no appeals. These appear to be areas where jurisdictions have tried to strike a balance between the economic and social needs of the community and public planning processes. In Australia some appeal procedures allow the local authority to specify exactly what can be appealed and we recommend the Commission investigate this practice. Any practice or procedure that can contain time slippage will assist with land supply and development capacity. There are numerous instances where Plan and consent processes have caused such a delay as to push a development into the next development season which is effectively a years' delay. The cause of the delay can sometimes be on a matter on the fringe of the development proposal and not have any material effect on the development.

All Councils' plan development processes need to reflect a proactive approach to development. The objectives of land development are often not clearly directed which is to build the local economy and improve housing stock and these often get lost in the detailed processes and interactions that take place. The process should reflect a team effort approach between both council and the developer. This worked successfully in the Millwater development area in Orewa, Auckland. Councils need to move away from being purely a regulatory body and consider economic effects and impacts of development. The team approach would bring together all council's resources / divisions (including members of the executive management team) and stormwater, parks, roading and water under a single umbrella with a mind set to encourage development. These divisions would be mandated to provide for the future extension of infrastructure within the developable areas. Some certainty as to when these services would be available is imperative. The Special Housing Authority is a start. It is unfortunate that the council resources haven't been

able to agree on the expenditure required for the infrastructure expansion nor mandated to ensure these costs are in the Long Term Plan (Auckland). Nor has council seen fit to develop structure plans for these areas, especially the future development areas.

Q14 How accurate are local authority assessments of the demand for and supply of land? How well do they reflect market demands and the actual development capacity of land? Are there any good examples of supply and demand forecasts?

Land supply demand analysis is usually done using historical building consent and subdivision construction progress using an averaging process to project forward demand. In practice there is no need for high accuracy due to the natural variability of market demand and economic conditions. This means that as long as there is a reasonable time scale for the availability there is generally no problem. The international standard for land supply availability is about 14 or 15 years which seems to have proven to be acceptable period over a few decades in the US and Australia and is just as relevant to the NZ situation. Councils can sometimes get caught by unexpected development proposals that reduce the supply of land very quickly and also by rapid development during boom years especially on the margins of existing urban areas.

The difficulty is how local authorities calculate what land is currently available. There has been criticism of the former Auckland Regional Council including larger lots in urban areas that are considered to have two lot infill potential based largely on the site area and that this presented an inaccurate picture of currently available developable land. It is suggested that the Commission investigate this methodology to determine how effective or relevant it is to the levels of overall land supply issue that the Government is currently interested in.

This generally results in an undersupply of land since the small infill subdivision is not a large contributor to housing supply (low volume, slower rate of supply) compared to greenfield and brownfield development. Coupled with a general view in some Councils that the supply of land should be tightly controlled i.e. rezoning “just enough”, can create inefficiencies, higher long term costs, limits the number of developers who can supply houses and participate in urban development, can constrain development progress because of land banking effects where the development area is not large. A more liberal and expansive attitude to rezoning land would also help with infrastructure and transportation planning and may also help to contain the rate that land values increase due to rezoning.

Q16 How effective are local authorities in ensuring that the rules and regulations governing land use are necessary and proportionate?

This varies across all Councils and a useful comparison can be made between Plans that have no minimum area for subdivision lots across all urban zones and Plan that have lot areas control limiting lots sizes to 400m² for example. The no minimum area rule is useful in permitting a variety of housing to be built to suit a variety of households and affordability

levels and is a more flexible approach to general housing supply. Some good examples of this exist in Porirua. A strict minimum area approach can lead to inequalities in some areas e.g. where a 350m² site is adequate for many forms of housing but the planning barriers are significantly against such development. The area rule is an artificial device to protect neighbourhood character however as the 350m² example shows, the same house can be built on lots of both 350m² and 400m² so is a restrictive practice.

There are many other items in Plans that could be examined for relevance e.g. some plans define retirement villages as a non residential use. This may be for practical Plan administration reasons but conflicts with the idea that all urban residential areas are made up of many different activities including shops, retirement villages etc. that Plans should recognise and encourage.

Increasing use and requirements for consultants and developers to submit management plans for particular segments or activities in a development can be onerous expensive and of little practical use.

Q19 What impact does transport planning have on the supply of development capacity?

This question has many answers and can depend on a case by case approach dependant on many factors such as condition of surrounding roading network, distance to State Highway and NZTA influence, size of development potential at a particular location etc. An example might be in Porirua where the Northern gateway land has been identified for future residential expansion and structure plan development but access to State Highway One from the entire development area is restricted until NZTA are satisfied that the highway has the ability to handle the expected traffic flows form the development block. It may be that the conditions where the highway can accept additional traffic have to wait until Transmission Gully has been built in 2020. In another case NZTA resisted development in a Northland location until a new roundabout was built on State Highway One to create a safer intersection. The integration of transport planning with development potential is an essential part of forward planning for urban expansion and just as importantly, construction of upgraded transport infrastructure to meet development timetables. If not taken into account at a very early stage the lack of transport capacity has as much potential to delay projects as the provision of other essential services such as wastewater and water supply where such services do not have the capacity to serve future development.

It is essential that transport planning anticipate forward development and upgrading timed to coincide with development. Transport planning and improvements are often the means to unlock redevelopment potential in existing urban areas also so that access to other networks and facilities is made easier and cheaper.

Q23 Are rules consistently applied in your area? Is certainty of implementation more important than flexibility?

Certainty of implementation is seen to be essential so that a Plan is able to be relied on by the community, but flexibility is important to account for the needs of society that are continually changing e.g. parking needs reducing over time due to changes in vehicle design or whether a commercial/industrial/retail area needs to adjust parking ratios to account for changing nature of business, the need to change the housing development rules to account for new forms of housing, home occupations, changes to activities like retirement villages as business innovates and evolves. Without flexibility, Plans and consents can hinder efficient economic development and create a drag on the economy through unnecessary expenditure or time delays, so is in the national interest.

Councils cannot predict all forms of development either and with developers presenting new and innovative proposals and ideas, Plans must have the flexibility to enable urban development take advantage of creative and innovative projects.

Q26 What effect do design guidelines have on the availability of effective land for housing? Are the processes by which land can depart from a design guideline transparent and applied consistently

It's not known if design guidelines have any effect or not on the supply of land for housing but it is suspected that it has little effect. It is considered that most developers would have regard to design guidelines applying to a site but try to ensure that their own development intentions would be given priority.

Q27 How many developers work in more than one local authority? Do variations in planning rules between councils complicate, delay or add unnecessary cost to the process of developing land for housing

Many developers do work in more than one local authority area. It is not clear that variations between Councils planning rules add extra cost to developments because of the variances but this can add complications. This is especially true with engineering requirements as there are locations throughout NZ where certain standards are required to be met in one local authority and firmly held to and in an adjoining area there is a more flexible attitude, perhaps more performance based, particularly in road design standards. Even through NZS4404 2010 Land Development and Subdivision Infrastructure is available to guide design development, most local authorities have their own set of unique design standards for their own area creating differences between local authority areas and development standards.

Q30 have resource consent processing times resulted in unnecessary delays in the development of land for housing? If so do you anticipate that the recent change to processing timeframes will address delays?

Delays occur for a number of reasons. The practice of identifying activities with a minor effect that then require neighbours consents are a source of delay and are unnecessary and costly. The practice of assuming that anything that departs from a standard model of a housing development needs neighbours approvals needs reassessment. Residential areas are a source of very wide variability in site development, house form and style, parking arrangements etc. but the application of strictly applied rules for minor rule breaches requiring neighbours approvals is often out of scale with the effect.

Delays can be caused by differences in opinion within Councils and between Councils. For example there can be divergent views internally about road design and stormwater treatment between the urban design team, the roading team and the maintenance team, disagreement between departments about the need for and the size and location of reserves and disagreement between Councils (District and Regional) about what stormwater infrastructure is appropriate. In such cases developers are forced to wait, sometimes very long periods (i.e. months) while the Council works through the issues. This is often a result of the silo structure of Councils. When these type of problems are confined to officer level the time periods for resolution can be extensive leaving the only option to developers to approach Council at the highest level for final determination of a solution.

There are often situations where an applicant requires consent for a single small matter that is of low consequence that still requires a formal consent process and time delay to go through. The application of District Plan rules and the assessing planners reporting requirements often result in a 20 day turnaround overly significant processing fee. Plans are not flexible enough to enable processing of such activities speedily and in proportion to the effect of the proposal. Processing staff should be given delegated authority to make a decision about such activities with a pro forma report that can be signed off with five days for example with the minimum amount of work involved. The recent law changes will assist a little but the examples given above depend on a much more strategic view of Council operations and structure.

Q31 What explains the variation between jurisdictions regarding requests for additional information and the use of stop the clock provisions when assessing resource consent applications?

This can be related to the experience of assessing staff. It appears that many requests for further information are seeking clarification about a matter already submitted, that a person with experience might consider a minor matter. It is often a question of judgement about what is material to the application and what is peripheral and this variation between Councils is most likely due to an operational policy within the processing teams that some Councils have adopted, other have not, to critically analyse what is actually needed and what is unnecessary.

Q33 What explains the reduction in the prevalence of pre hearing meetings?

The answer is that it all depends on the case and it's not known if there is a trend or not. Pre hearing meetings can be successful if the parties are willing to work towards a solution and the issues to be discussed are not significant ones. On the other hand if submitters demand to be heard and there are very contentious elements to the application pre hearing meetings are probably not going to be effective and they take a lot of time for Council planners and Administration staff to organise.

Q38 In your experience what impact do conditions on resource consents have on the viability of development projects?

It is considered that only in very rare cases do conditions have an impact on development project viability. Most development follows a relatively standard and predictable model. Cases where there is a sudden and large increase in development contributions by local authorities can have serious impacts on the viability of projects requiring extra lending and interest costs etc., and there is no ability to raise prices to compensate, upgrades to engineering standards requiring new products and materials and standards can also have a substantial impact especially in delays and costs, Council requiring extensive road upgrading outside the subdivision especially in rural areas are examples where unexpected events can cause effects on financial viability of projects. Councils sometimes announce changes to policy and costs with short notice which can easily affect a developer part way through a development. If higher charges in particular have a long notice period that can give a developer time to adjust consent progress to help overcome the new imposition.

Q45 Are there particular aspects of the system or particular types of infrastructure that are problematic?

It is the experience of many members that land availability and cost within New Zealand is governed largely by supply and demand. While some commentators on this issue claim technical reasons related to the financial system or a local authority performance to "cause" supply problems, it is at the end of the day a response by developers and the motivation to earn a profit, provide return to shareholders and move prices when they can that drives price and supply solutions. If a developer can raise prices because he can, this is when demand is such that higher prices can be charged and the developer will generally make the changes. The reason for lack of demand that have been experienced include a large urban local authority not rezoning land for residential purposes for at least ten years creating a shortage when a surge on demand took place - the possibility of a surge in demand was not taken into account in planning for residential land expansion and the time horizon for residential expansion was too short. Another example of the short supply/higher prices phenomenon occurred when a group of builders in one part of Auckland found price rises, a lack of choice and unduly restrictive building Act compliance from one local authority "encouraged" them to look elsewhere leading to price and supply issues in the new area.

Another problematic issue that many commentators neglect to recognise is that the construction season in most urban areas is a restricted length of time in summer and spring months in general which imposes a natural limitation of the quantum of earthworks possible in one season. The lead up to a construction season is usually 6 to 8 months of detailed design, and consenting, negotiation with local authorities, contract preparation and tender negotiations. Then there are other natural restrictions on the maximum area of land that can be uncovered in one construction season due to consent conditions and the amount of silt and sediment control required to meet environmental standards, all contributing to restricted periods for construction activity.

It may be ok to criticise developers for providing insufficient lots to the market in any one season but there are these “problematic” issues arising from construction season and limiting exposure to excess borrowing and higher interest costs. When a developer has experienced an annual rate of sales in one particular area and sales conditions are unlikely to change within the foreseeable future then it is a simple business decision to only provide enough sections to meet market demand for two years, sufficient to provide the sales force with product until a new round of consents and approvals can catch up in readiness for when the earlier lots were provided to the market.

Another problematic issue is the effect that the GFC has had on developers business practices. De-risking by buying fewer sections by builders is more common in case another crash or downturn occurs. This can dampen sales for developers slightly contributing to longer sell out period and delays in starting new subdivisions.

Even taking into account these influences and also resource consent and plan change processes and costs, from my observation, there appears to be little incentive for developers to supply greater numbers of sections than they decide is appropriate when market demand is high.

Rezoning more land for residential purposes would assist with this but that is a limited resource often confined by the ability to service those areas, community opposition and the wish to retain rural productive land or landscape and/or rural character features.

It is difficult to identify a simple solution to address the supply of further land for residential purposes effectively and that will reduce land prices and believe that this is something the Commission will also find difficult to grapple with. It must also be kept in mind that as the developer at the end of the day is the person or company taking the risk associated with developing land, which when demand drops, as happened recently in the Global Financial Crisis, can result in a number of developers and developments failing financially through lack of demand and the low prices people were willing to pay for sections during this time

Watercare and the expansion of the wastewater network is years behind. Auckland’s Special Housing Areas are being compromised by insufficient wastewater capacity.

Q53 Are there particular types of development (eg Greenfields, infill etc) that are less costly to service with infrastructure? What evidence can you provide about any variation in infrastructure costs.

In a standard greenfields subdivision, the developer pays for the complete infrastructure package to service lots to an adequate level with sewer, stormwater, water supply, telecoms and power and gas and roading. The costs of this form part of the price. It makes little difference who pays for this as the cost would be passed onto section buyers by any party who laid the services. In such developments usually 100% of the infrastructure will be built to Council standards so that the Council can take over ownership and responsibility for the remainder of the infrastructure lifetime.

For some small scale infill development, some infrastructure such as sewer and stormwater can be built to a lower standard and retained by owners as privately owned pipelines although this practice can vary depending on the particular policy of Council. For larger infill housing development pipeline infrastructure will probably be more towards public standards and similar to greenfield subdivision.

For higher density subdivisions that involve multi-story buildings or unit title developments the infrastructure costs can be reduced because the main supply infrastructure can be arranged so that one point of supply is possible eg a power transformer might serve one building with internal wire configuration to a different standard of supply for a greenfield lot. Multi-story buildings can also have one point of water supply connection e.g. one \$12,000 payment to Metrowater in Auckland might serve a building of 40 apartments which means that compared to a greenfield subdivision with 40 lots, 39 units in that building have avoided the \$12,000 fee. So in a general sense infrastructure costs for higher density unit development in particular will probably have lower infrastructure costs per unit than a green field situation. Care has to be taken in assuming this is the case everywhere as there are areas where there constraints on stormwater disposal and detention may be necessary on site so costs can be higher in particular cases.

Q54 Do development contribution policies incentivise efficient decisions about land use or do they unduly restrict the supply of land for housing

Development contributions are essentially just another development cost or charge and raise the price of land. It is difficult to see how they would unduly restrict the supply of land for housing in a greenfields situation as the selling prices would have the charges built in and if the market is comfortable paying the increased amount and has factored in the higher prices, then its seems unlikely that delays would occur.

Delays in developing land will most likely arise when there is a market expectation for sale prices that precede the introduction of new development contribution costs (i.e. the developer will have to raise prices to accommodate the contributions and wait till the

buying market adjust to the new price levels), or where development contributions are raised substantially and an adjustment period is also required.

Q59 What alternative approaches for funding infrastructure should be considered in NZ's high growth areas.

Local authority bonds are widely used overseas and offer a viable means of obtaining development funding. The only other choices local authorities seem to have is standard borrowing practices and developer agreements with cost sharing for specific projects. Developer agreements can be very costly and take a long time to prepare and negotiate especially if the Council is not used to the legal agreements that such arrangements require. Bonds seem to be a more flexible and faster approach to securing funding especially when backed by legislation and support from other Government departments such as Treasury and the Auditor's office.

A lack of public funding for infrastructure upgrades or new works can create a substantial drag on land development due to the length of time it takes to adjust Long Term Plans and budgets and a more flexible system needs to be in place outside the Long Term Plan to allow Councils to obtain more immediate sources of funding. Where land is available and zoned for residential development, the cost of providing infrastructure such as reservoirs can make a development uneconomic, especially for the 'first developer off the rank.'

Q64 Are there good examples of local authorities, in areas where there is a housing shortage, working well with landowners who want to build housing for whanau on Maori land?

We suggest looking onto a development at Parihaka in New Plymouth District.

Q66 How important is the aggregation of land for housing development? How difficult is it? Do some local authorities have processes in place that make land aggregation easier- if so which ones?

Aggregation of land is a very important planning mechanism. The results of large land parcels being developed into a range of housing forms and styles with integrated planning and design over the last decade has made substantial improvements to the quality of urban environments particularly in Auckland and Christchurch and is a recommended practice.

It is common to have a very fractured landownership pattern in green fields development areas. This makes it virtually impossible to implement catchment based planning for infrastructure requirements as individual owners do not want to contribute if they perceive their returns are lower than another property owner. There are issues with connections

through properties where owners are extorting ridiculous connection fees adding unnecessarily to development costs.

The process of aggregation can be simple or difficult depending on a few factors such as the willingness of existing land owners to moving and their ability to obtain a new house in the same or similar area, the ability of the developer to keep price expectations in check to avoid excessive land purchase costs and also the implications on the developer with regard to future consenting for new development with the usual considerations for notification, infrastructure upgrading etc.

Councils can help with good infrastructure planning and consent processes to avoid lengthy delays.

Q67 Is there a need for public agencies that can aggregate land in NZ cities? If so, who should establish these agencies? What powers and functions should they have?

We suggest that aggregation of land for housing by a public agency should be seriously investigated. From a design point of view aggregation of many smaller parcels into large development blocks offers very substantial benefits to communities through the improvement in design options.

Aggregation can also accelerate development in city in areas where growth is non existent or areas need refreshment and improving to promote growth across a city area. If managed by a combination of both private and public sector contributions such as Waitakere properties in the 1990's then results can be very successful. Such an agency needs to be a separate entity from Council and able to operate independently from Councils normal structure.

It would be advantageous if such agencies could have the use of special development area processes that could accelerate the planning and consenting processes such as "precinct planning area" or "local area plan" or some such description that could be applied to a specifically identified development are supported by legislation (RMA or Local Government Act) and the District Plan.

Q69 How much land in NZ is being held in anticipation of future price rises? What evidence is there?

This is difficult to answer accurately but we suspect that it's less than what most observers believe. Land has to be held back from immediate sale for a number of reasons, but developers will generally only undertake development when conditions are right - that is when a developer is certain and is able to prove to a funding agency that the project is viable, that there will be a reasonably consistent sales rate throughout the project and that the developer has the personal circumstances to undertake the project (i.e. time and energy). Without these in place any development is a highly risky exercise with high chance

of failure. There seems to be a lot of blame attached to landowners withholding land from development but there are very few other industry sectors that carries so much risk in relation to the capital requirements.

Q71 How common is the use of housing covenants in new housing developments? To what extent are private covenants restricting the supply of development capacity?

Housing covenants are extremely common and can vary widely in the terms included. It is considered that covenants have little, if any, effect on development capacity.

Q72 What are the advantages and disadvantages of the Housing Accords and Special Housing Areas Act 2013 and of its implementation to date?

Initially, the concept of SHA's seemed a good concept, however, some of the NZIS members with extensive experience in the Housing Accords Act and SHA's in Auckland do not see any advantages of the SHA process due to the following:

Lack of Infrastructure a major constraint. Having to reach agreement with Auckland Transport and Watercare has been a major frustration and has added time to the process.

- a) Lack of Infrastructure a major constraint. Having to reach agreement with Auckland Transport and Watercare has been a major frustration and has added time to the process.
- b) Too many applications have been submitted to the Housing Office at the same time and this has resulted in delays in processing. The whole process has become very overloaded. There has been a lot of talk about how beneficial the programme is but to date we believe that it has been a lot of talk, with very little tangible results. There has been a loss of local knowledge in the processing of engineering approvals. Previously this was dealt with within an area office but now it is being dealt with by Housing Office staff that quite often have different engineering requirements.
- c) some members have been involved in SHA's that were announced in the first Tranche but are still waiting to go through a plan change process, so there is no real benefit.
- d) The SHA process has essentially duplicated the RMA; the officers involved in the process are all essentially of the same mind set as the process currently administered by Council. This means that we are dealing with the same bureaucratic processes as under the RMA.

Essentially, we believe that the RMA process is a good process, but the varying interpretation of the Act's requirements along with a general unwillingness to make unpopular decisions (particularly when elected officials are involved) is creating a problem.

The introduction of the SHA process has created another layer of bureaucracy and a large number of the administrators revert back to type when dealing with applications.

SHA's have been pursued on some sites without the full participation of all owners. Consequently, the sites are unable to be developed as connections to infrastructure can't be made.

P Rhodes

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