

Response to the Productivity Commission's *Using Land for Housing* recommendations

August 2016

1. Defining expectations and monitoring performance

RECOMMENDATION	GOVERNMENT RESPONSE
National Policy Statement on Urban Development Capacity	
<p>That planning system be improved to provide clearer expectations and monitoring frameworks for the provision of development capacity:</p> <ul style="list-style-type: none"> • To introduce common terminology regarding land supply and its readiness for building and councils use and report on this (R8.2) • That councils should be required to make use of land price information in their planning decisions (R11.5). • To explore the potential to develop an Urban Feasibility Model (R5.14). • To develop a process to regularly monitor and report on the land prices for developable and non-developable land (R12.8). 	<p>The Government agrees that it is important to set clear expectations for councils in providing land for housing. The Minister for the Environment recently released a proposed National Policy Statement on Urban Development Capacity (NPS) for public consultation. This will provide explicit requirements for councils to provide sufficient land for housing, and a way of benchmarking council performance in response to those requirements. The proposed NPS:</p> <ul style="list-style-type: none"> • Puts in place a tiered set of different requirements targeted to different housing markets, some are targeted to all local authorities, while some are targeted to 'medium growth' urban areas and all of the requirements are targeted to 'high growth' urban areas. • Requires all councils to provide 'sufficient development capacity'. 'Sufficient' is defined as enough development capacity to meet residential and business demand (including the demand for different types, locations and price-points of dwellings), plus additional margin to take account of the likelihood that not all capacity will be developed. This is intended to ensure enough development capacity is provided to create competitive tension between land owners and developers to keep prices in check. • Has a consistent theme of requiring local authorities to better understand the market, and respond to market activity, including requirements for medium and high-growth councils to: <ul style="list-style-type: none"> – Seek to enable land and development markets to operate competitively. – Monitor a range of indicators of market activity, including resource consents and building activity, and pricing signals (including the ratio of land values between rural and urban zoned land at the periphery, and the ratio of the value of improvements to the value of land within the urban area). – Assess the commercial feasibility of development capacity enabled in plans, and to assess the cumulative impact of all the rules and development controls in enabling development.

	The Government aims to support this through a programme of guidance and implementation support, which will include providing guidance on appropriate ways to assess the commercial feasibility of development capacity, one of which could be an Urban Feasibility Model.
Better information and monitoring	
Land Information New Zealand should provide wider public access to information in District Valuation Rolls and property sales data (R12.7).	The Government agrees and notes that Land Information New Zealand is already working on the delivery of the cross-sector Integrated Property Services programme of work. This will enable building and property data, and property sales data to be linked and readily accessed by the public and local authorities. A work stream within this programme specifically deals with improving access to district valuation roll and sales data.
The Government should work with council using spatial plans to develop a common set of data and growth projections (R11.2).	The Government agrees and will consider this as part of the future planning framework which will be developed in response to the Productivity Commission's current enquiry <i>Better Urban Planning</i> . In the meantime, Government agencies, in partnership with Auckland Council, are developing a collaborative approach for forecasting Auckland's future population and employment growth. The most effective option for improving data and developing compatible growth forecasts across agencies will be identified and prototyped. The project is a Data Futures catalyst project and is estimated to run from May - November 2016.
Central Government should work with councils to improve dwelling stock statistics (R11.3).	The government agrees and notes the Ministry of Business, Innovation and Employment (MBIE) is already working with councils to improve the quality of data coming out of the building consent system.

2. Government intervention

Potential for intervention	
That the expectations for development capacity should be backed up by a credible means of Government intervention where those expectations are not met through Government: <ul style="list-style-type: none"> • Setting a threshold for the price difference beyond which it will ensure additional developable land is made available (R12.9); and • Establishing a process to release additional land where the threshold is 	The Government agrees in principle that intervention by central Government may be needed in exceptional circumstances where local decisions fail to deliver outcomes in line with the national interest. Work on the NPS will include development of indicators, including price signals, to provide better information on the performance of urban land markets and whether available development capacity is sufficient. Councils will be expected to have regard to the benefits of making this information public. Where significant shortfalls in development capacity are identified and local processes

<p>exceeded (R12.10), which ensures this land is served with the necessary infrastructure (R12.11).</p>	<p>were unable to address these the Government would consider the case for intervention, including:</p> <ul style="list-style-type: none"> • Engaging more actively with the relevant local authority around the sufficiency of plans. • The Minister for the Environment directing a local authority to undertake a plan change under s25A of the Resource Management Act, for example to bring its plans into line with requirements for sufficient development capacity under the NPS. • The national planning template in the Resource Legislation Amendment Bill (RLAB) that would enable Government to develop mandatory content for plans, including some rules, and best practice for plan content. This content could be used to encourage and support councils with implementing the NPS. • The national direction avenues and regulation making powers under the RLAB. • The Minister for Local Government exercising their powers in relation to local authorities under the Local Government Act (i.e. requiring information from a local authority, appointing a Crown review team, Crown observer or Crown manager, appointing a Commission or calling a general election).
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3. Infrastructure

Paying for infrastructure	
<p>To ensure that growth pays for growth</p> <ul style="list-style-type: none"> • development contributions (DCs) and Watercare's Infrastructure Growth Charge (IGC) should be set at the level of full cost recovery (R9.2 and R10.1) • CCOs should be required to consider development agreements as councils are (R8.1) • Councils consider recovering development contributions over a longer period of time, potentially through targeted rates (R9.4) • Government legislate to enable councils to capture the value uplift from infrastructure investments (R9.5). 	<p>The Government agrees that the cost of new infrastructure to support growth should be recovered from the new development it services. However infrastructure providers need to use an appropriate combination of both upfront and ongoing charges by considering the full range of options available to them. To support this:</p> <ul style="list-style-type: none"> • <i>Better Local Services</i> proposes changes to the Local Government Act 2002 to require council-controlled organisations to consider development agreements; • The Local Government (Rating) Act 2002 already enables councils to use targeted rates to fund infrastructure and thereby recover costs over a longer period of time. However, it's recognised that the use of targeted rate might not be practical in every situation. • The Local Government Act 2002 was amended in 2014 to allow councils to spread and recover the costs of infrastructure through development contributions over time periods greater than those in the long-term plans; <p>The Government considers there is already sufficient flexibility within the Local Government (Rating) Act 2002 to allow Councils to vary rates in order to capture the uplift in</p>

	<p>property values from infrastructure investment. However, it is acknowledged that there are limits to when and how frequently councils are able to update rates to reflect changes in land values.</p> <p>The Government recognises that there may currently be constraints, including political factors, on Council's making greater use of alternatives to upfront charges. As part of discussions around the Housing Infrastructure Fund the Government will look to discuss with Councils the current constraints on alternate funding tools and the degree that new tools might be needed.</p> <p>The Government has also directed officials to consider whether changes to governance, institutional and regulatory settings for the water sector would improve the independence of infrastructure-related decision-making and responsiveness to growth.</p>
<p>That Watercare's Infrastructure Growth Charges be subject to the same appeal process as development contributions</p>	<p>The Government agrees. Changes proposed to the Local Government Act 2002 under the <i>Better Local Services</i> would see Watercare's ability to charge Infrastructure Growth Charges replaced with an ability to charge development contributions. This would make Watercare subject to the same appeal processes as councils who charge development contributions.</p>
<p>That infrastructure providers vary the cost of such upfront charges to reflect the differences in the actual cost of providing infrastructure for different typologies, locations and characteristics (R9.3 and R10.2).</p>	<p>The Government agrees and notes that the Local Government Act 2002 was amended in 2014 to strengthen the link between the characteristics of developments and development contributions being charged.</p> <p>The proposed <i>Better Local Services</i> changes would require Watercare to replace its infrastructure growth charges with development contributions. These are required to reflect, within broad limits, the actual cost of providing infrastructure to different locations, typologies and characteristics.</p>
<p>That Councils make more efficient use of existing infrastructure by:</p> <ul style="list-style-type: none"> • Considering the case for volumetric water charges (R8.5) • Listing the cost of water on the rates bill (R8.6) • Government enabling volumetric charges for wastewater (R8.7) • Government enabling pricing on existing roads (R8.8). 	<p>The Government agrees that councils should make use of user charges where there is an economic case to do so to.</p> <p>User charges can make the true costs of infrastructure more transparent to users and incentivise more efficient use of infrastructure and resources.</p> <p>While more detailed billing can provide transparency, the Government believes it should be up to councils to determine the most cost-effective and administratively efficient way of doing this where volumetric charging is not economic.</p> <p>Volumetric charging for wastewater is already permitted under section 12 of the Local Government Act 2002, but without the coercive powers of the Local Government Rating Act 2002 to ensure collection. The absence of such coercive powers appears not to have been a significant problem for Watercare, which charges for water on a</p>

	<p>volumetric basis – and wastewater is a proportion of the water volume charged for. A previous study¹ has shown that many of the benefits of metering for water are obtained through reduced demand for wastewater treatment. For these reasons the additional benefit from extending the powers of the Local Government Rating Act 2002 would appear to be limited.</p> <p>Changing how we charge for existing roads needs to be approached in a comprehensive way as it has significant taxation, equity, efficiency and accountability implications. These issues need to be addressed in a systemic way, rather than on a case-by-case basis as suggested by the Commission. Work on better ways to charge for road use is progressing as part of established work on electronic Road User Charges, emerging transport technologies and the Auckland Transport Alignment Project (ATAP). The ATAP preliminary findings published in May 2016 outlined an emerging case that includes progressive introduction of a variable network pricing system.</p>
<p>The Financial Reporting and Prudence regulations should be assessed to consider how the regulations affect councils' ability to provide infrastructure to support growth and review whether 15% is the most appropriate debt-servicing ratio for high-growth councils (R9.1).</p>	<p>The Government agrees the Financial Reporting and Prudence regulations may be one constraint on high growth Councils' ability to borrow to meet the demands of growth.</p> <p>However, these regulations are not the sole constraint. The Government also notes that the Local Government Funding Agency covenants, in particular the 250% debt-to-revenue ratio, also place limits on the funding of infrastructure by high growth councils.</p> <p>The Department of Internal Affairs will review the regulations and other constraints and indicate whether, and if so how, those constraints might be relaxed.</p> <p>In the short-medium term the Government has established the Housing Infrastructure Fund for councils in high growth areas to apply for assistance to finance the core infrastructure needed to unlock residential development.</p>
<p>Councils should ensure they facilitate a responsive supply of infrastructure to support urban growth when reviewing their infrastructure arrangements (R10.4).</p>	<p>The Government agrees. It is expected that councils facing urban growth with take growth into consideration as part of their reviews under section 17A of the Local Government Act 2002 as a matter of course.</p> <p>The NPS will provide a stronger direction to councils to be more responsive to urban growth needs. Councils will need to take steps to ensure that infrastructure, as well as the supply of land, is more responsive to demand.</p>

¹ Smith, N., McDonald, G. & Wilson, D. (2010). *Water demand management: An economic framework to value with case study application*. Report WA7090/7, Beacon Pathway Ltd.

Asset Management	
<p>Councils could improve their asset management practices by:</p> <ul style="list-style-type: none"> • Prioritising the development of up-to-date asset management systems (R8.3). • Make more efficient use of existing infrastructure assets, including greater use of user charges (R8.4-8). • Basing their infrastructure standards on data collection from their asset management systems (R8.9). • Exempting developments with pre-existing consents (within the last 5 years) from changing to infrastructure standards, or compensate developers for additional costs resulting from the change (R8.10). 	<p>The Government agrees that there is scope for councils to improve their asset management practices, make better use of existing assets, and use price signals to encourage more efficient use of resources and infrastructure by consumers.</p> <p>The Government is working with local government on a range of initiatives to help support better asset management including:</p> <ul style="list-style-type: none"> • Developing Metadata standards for water, roads and buildings (residential and light commercial) to better understand the condition and quality of infrastructure assets; • Participation in the Local Government New Zealand 3 Waters project. • Exploring the case for a local government risk agency. <p>Through the development of the Metadata standards, officials have been directed to explore incentives to encourage uptake of the standards and other advanced asset management tools by infrastructure providers. This work is due for completion in September 2016.</p> <p>The <i>Better Local Services</i> reforms will support the establishment of council-controlled organisations (CCOs) to manage water and transport networks across multiple council areas. Such CCOs would have the scale to develop more sophisticated asset management practices than many councils can currently achieve.</p> <p>These changes would support those made in 2014 which saw section 17A added to the Local Government Act 2002. That section requires councils to consider whether, in delivering services cost-effectively, services should be delivered by council-controlled organisations (amongst other options). The concept of cost-effectiveness includes economies of scale and is applicable to all councils whether or not they face growth pressures.</p>
<p>Local Government New Zealand should support Water New Zealand's benchmarking initiatives by encouraging council participation (R10.8).</p>	<p>The Government agrees that benchmarking initiatives can assist in improving asset management. The Metadata standards project will help overcome one of the major difficulties in benchmarking exercises by ensuring consistency in data collected.</p>
<p>The Government should make the preparation of long-term infrastructure strategies a permanent part of central government's planning and reporting framework (R11.1).</p>	<p>The Government agrees that long-term infrastructure strategies are integral to central government's planning framework.</p> <p>New requirements came into effect from 1 July 2015 requiring investment intensive agencies (capturing those with significant infrastructure assets) to complete Long Term Investment Plans covering a period of at least 10 years and to be updated every three years.</p>

	The first Long Term Investment Plans for the most significant agencies were completed this year.
Governance	
Alternative models for providing and managing infrastructure should be considered: <ul style="list-style-type: none"> • Councils should consider the CCO model when reviewing their infrastructure arrangements (R10.6). • The Local Government Act be amended to allow councils a wider range of options, with restrictions on contracting arrangements removed (R10.5). 	The Government agrees and the proposed <i>Better Local Services</i> reforms will support councils in exploring a wider range of options for providing and infrastructure services. Councils currently have significant contracting flexibility with only franchising and concession arrangements prohibited. Rather than considering whether specific restrictions should be removed, the Government has directed officials to explore a wider range of governance, institutional and regulatory options for the water sector.
The SOI's of Auckland's CCOs should align with the Auckland Plan and should include performance measures relating to infrastructure provision (R10.7).	The Government agrees there is a need to improve co-ordination between land use and infrastructure provision. This is a key message from the Thirty Year New Zealand Infrastructure Plan 2015. The content of Auckland Council's CCOs' statements of intent is a matter for the Council and its CCOs to agree.

4. Tools, flexibility and support for councils

Special powers and support for designated developments	
Central Government should support local urban development authorities (UDAs) by: <ul style="list-style-type: none"> • Creating a regime similar to the Special Housing Areas for certain designated developments to operate with different planning and land use rules (R12.1) • Provide for UDAs to allow higher height limits than in the SHAs (R12.2) • Provide a streamlined planning process for 'designated developments' undertaken by UDAs (R12.5) 	The Government agrees that granting different powers, consenting processes and land use rules to designated developments warrants further consideration. The Government has directed officials to develop urban development legislation to enable fast-track development of high quality, at-scale projects that meet certain criteria.
To support the aggregation of land the Government should: <ul style="list-style-type: none"> • Grant compulsory acquisition powers to local UDAs (R12.3) • Adjust the 'offer back' provisions of the Public Works Act so UDAs aren't obligated to offer back significantly developed land (R12.4). 	The Government agrees that the application of existing powers of compulsory land acquisition is unclear in the context of urban development, including the circumstances in which land no longer required for a public work must be offered back to its previous owner. The Government has directed officials to provide further advice, including the circumstances where these powers could be accessed.
The Government should consider other opportunities to support UDAs including	The Government agrees and has: <ul style="list-style-type: none"> • enacted powers for the relevant Minister to transfer

<p>through making Crown land available, partnering in specific projects, and ensuring the Housing New Zealand Corporation (HNZC) co-operates where relevant (R12.6).</p>	<p>land on behalf of HNZC in order to increase the supply of affordable housing or meet other social housing objectives;</p> <ul style="list-style-type: none"> • established a programme within MBIE that identifies vacant or underutilised Crown land in Auckland and then sells that land to developers, subject to them delivering certain housing outcomes; and • cooperated with Auckland Council to support its housing plans, especially with respect to the regeneration of Manukau.
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Better rule making

<p>Councils should make more use of cost-benefit analysis (CBA) when assessing land use regulations to improve the quality of their rule making (R5.15), and that Government should</p> <ul style="list-style-type: none"> • Assist councils in conducting better cost-benefit analysis (R5.16). • Improve the quality of Government planning guidance (R5.17). 	<p>The Government agrees that it is important to improve the quality of local government rule making and will consider the opportunities for central government to support local government through improved guidance for CBA on urban planning rules.</p> <p>A key issue appears to be that the costs of planning rules – the opportunity cost of development that does not occur – are less visible than the benefits of protecting existing amenity. To address this issue the Government has already:</p> <ul style="list-style-type: none"> • Released a draft NPS, which will require councils to collect better data, including price signals on the housing market which is intended to improve understanding and measurement of the costs of planning controls. The Government proposes a programme of guidance and support for councils to give effect to the NPS. • Commenced development of a national planning template in the RLAB that would enable Government to develop mandatory content for plans, including some rules, and best practice for plan content. This content could be used to encourage and support councils with implementing the NPS. Importantly it would remove the need for each council to focus on detailed rules and free up time for more important local issues. • Committed to review the New Zealand Urban Design Protocol, to clarify the role that regulation plays in improving the quality of urban design. The review is expected to take place in the first half of 2017. • The investment approach to Justice is exploring a wide range of different investment options to reduce crime, including situational crime prevention. Information will be made available about the relative effectiveness of different crime prevention options, with a view to removing guidance where it is not a cost effective way to achieve the desired outcomes.
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<p>To reduce the regulatory barriers to urban growth Councils should review and/or remove a range of rules and practices within plans including urban limits (R5.1), minimum lot sizes in rural zones (R5.4), balcony requirements for apartments (R5.6), minimum apartment size (R5.7), minimum parking requirements (R5.8), height limits (R5.9), heritage policies (R5.10), specific limits on housing density (R5.11), controls on design and construction that exceed Building Act standards (R5.13), special purpose zones (R6.4) and the use of “permitted” and “restricted discretionary” status (R6.5).</p>	<p>The Government agrees that councils should review and remove those rules where they cannot be shown to provide net benefits. The Government expects that to meet the explicit requirements of the NPS, councils will need to remove those rules that do not currently provide net benefits.</p> <p>The price indicators incorporated as part of the NPS, such as land price differentials, will help to identify where the cumulative effect of land use controls might be driving up the cost of land for housing through limits on:</p> <ul style="list-style-type: none"> • the supply of land to development markets; and/or • the type of development that can be carried out. <p>For example, urban limits may be driving up the cost of land, such that the differential between the price of land that can be developed and land that cannot be developed cannot be explained by the cost of infrastructure, other improvements, or amenities that might be reflected in the price of the developable land. The response to this might be providing further greenfield land, relaxing controls on intensification in market-attractive areas, or a combination of both.</p> <p>Where development imposes costs on other parties (i.e. externalities), then land use controls may be an appropriate way to mitigate or limit those costs.</p>
Improvements to the planning framework	
<p>Only directly affected parties should be required to be notified for site-specific plan changes (R6.1).</p>	<p>The Government agrees that notification of plan changes where the effects are specific to particular sites should be narrowed to directly affected parties. The RLAB, which was introduced into Parliament in November 2015, provides such an option to councils.</p>
<p>The Government review of Schedule 1 of the Resource Management Act (RMA) to consider whether it provides enough room for innovation (R6.2).</p>	<p>The Government agrees that it is important to strike the right balance between flexibility and protection of rights for participation. The streamlined and collaborative planning processes included in the RLAB provide new tools for councils to improve the responsiveness of plans.</p> <p>In addition, the Ministry for the Environment intends to formally evaluate the processes used to develop the Auckland Unitary Plan (AUP) and the Christchurch Replacement District Plan (CRDP) once they are both concluded, and to incorporate the findings into work on a future planning framework discussed below.</p>
<p>Councils should engage with communities early on draft plan changes, ahead of notification (R6.3).</p>	<p>The Government agrees that there can be benefits from councils consulting with the wider community on draft plan changes of interest before they are notified. Consulting with communities prior to notification is increasingly becoming common practice and there isn't anything in the RMA that discourages it.</p>

<p>A future planning framework should:</p> <ul style="list-style-type: none"> • Explore options for more responsive re-zoning, in response to specified triggers (R11.7). • Make it easier to develop neighbourhood plans (R11.8). • Have better Government co-ordination of departments involved in urban planning (R11.4). 	<p>The Government agrees that a future planning framework should provide options for more responsive planning.</p> <p>The Government also considers that councils should explore the use of more responsive rezoning controls within the limits of the RMA. For example, where there are infrastructure constraints that currently limit development, councils could consider planning rules that allow land to be up-zoned or rezoned once the appropriate infrastructure is in place (rather than relying on a subsequent plan change).</p> <p>Since the Commission provided its report <i>Using Land for Housing</i>, the Government has asked the Productivity Commission to carry out another inquiry to “<i>identify the most appropriate system for allocating land use in cities to achieve positive social, economic, environmental and cultural outcomes</i>”. The Commission’s final report, <i>Better Urban Planning</i>, is expected in November this year.</p> <p>One focus of the <i>Better Urban Planning</i> inquiry is on how to better incorporate the different planning acts, which is expected to play a role in assisting local authorities to develop plans to meet the needs of neighbourhoods facing significant change.</p> <p>In addition, the Ministry for the Environment is leading a review with Natural Resource Sector agencies of the current resource management and planning system, with a view to examining its fitness for purpose in meeting the future challenges that New Zealand faces in planning and managing resources, and developing options for a way forward. This includes looking at different approaches to planning and their implications, generally and in urban areas. This stewardship-focused review is on a longer timeframe than the Productivity Commission inquiry, and will draw on the Commission’s findings in developing its work programme.</p>
<p>The Government should evaluate Independent Hearings Panel processes to consider if they should be a permanent feature of the planning system (R11.6).</p>	<p>The Government agrees and a final review of the Christchurch and Auckland processes will take place at their completion in late 2016.</p> <p>In addition, the Independent Hearings Panels (IHP) in Auckland has been evaluated throughout the process, resulting in minor adjustments to the process and legislative amendments where needed to ensure the IHP completes its task within the legislated timeframes. Outputs of the evaluation have been fed into the policy development for the RLAB as well as the ongoing development of guidance to support better plan making.</p> <p>In summary, the evaluation of the Auckland process has provided confidence that:</p> <ul style="list-style-type: none"> • The AUP IHP has run a robust process, adhering to the intent and requirements of the legislation. • The AUP IHP has taken account of broad range of

	<p>interests and conducted its business in a way that has encouraged public participation, albeit within the constraints and complexities of the process.</p> <ul style="list-style-type: none"> Initial assessment of the final recommendations indicate they appropriately balance interests of existing and future residents, and national interests. <p>On balance, the evaluations suggest there are advantages in the use of IHPs to ‘front load’ planning processes within tight time limits to improve public consultation, evidence and analysis, and the use of mediation and expert conferencing, while reducing access to Environment Court appeals. The final reviews and ongoing monitoring of the planning outcomes in Auckland and Christchurch will allow more reliable assessments of the processes in time.</p>
The Government introduce a streamlined approval for minor changes to local authority boundaries (R5.3).	The Government agrees and proposed <i>Better Local Services</i> reforms include new powers for Council-led re-organisations that would enable minor changes to local authority boundaries where relevant councils are in agreement.

5. Other recommendations

The rating system	
To encourage the efficient use of land and incentivise development, councils should consider the merits of adopting land value as the basis for setting rates when reviewing rating policy (R4.1), or in future amalgamations (R4.2).	The Government agrees that in setting their rating policies, local authorities in urban areas should consider the evidence in the Commission’s report that suggests rating on the value of land is more progressive and would encourage development
More efficient use of Crown land	
To encourage the more efficient use of Crown land, the Government should: <ul style="list-style-type: none"> Investigate removing the Crown’s rating exemption (R4.3). Create an inventory of public land holdings in high-growth cities to identify potential land for housing (R7.2). Seek partnership opportunities with councils and private landowners for lower-cost housing development (R7.3). 	<p>The Government does not agree with removing the rating exemption in isolation. A proposal along these lines should be considered as part of a broader reform of local government funding.</p> <p>The Government agrees that Crown land can be used more efficiently and has already established a programme within MBIE to initiate the development of vacant or underutilised Crown land in Auckland. To support this programme, the Government has introduced a standard process that requires agencies holding Crown land within the Auckland urban area to notify MBIE of any proposed land for disposal before taking any steps to dispose of that land.</p>

Further regulatory barriers to growth	
<p>The Government should ensure that future legislative proposals that restrict land use near cities are assessed for their impact on housing supply and cost (R5.2)</p>	<p>The Government agrees and expects that the explicit requirements under NPS would ensure that any future local bills that remove or limit development in certain areas take account of the impact on housing supply and costs.</p> <p>Although the Regulatory Impact Statement process does not apply to local Bills, the Department of Internal Affairs is generally appointed to advise a Select Committee considering a local Bill. They provide advice to the Committee on whether to support the Bill and on the impacts the Bill is expected to have, which would include any impact on development capacity.</p>
<p>The Government should review foreign investment screening provisions to assess the potential for an exemption for foreign developers purchasing land that will be developed into housing in an acceptable timeframe (R5.5).</p>	<p>The Government agrees that the foreign screening regime can place a New Zealand based developer with foreign ownership at a disadvantage to domestic developers. The Government considered introducing an exemption of this kind as part of current changes to the Overseas Investment Regulations 2005, but concluded such an exemption, in a form that would have the desired impact, would require legislative change. The Government has no plans to review the Overseas Investment Act 2005 at this stage. The Government is working with the Overseas Investment Office to identify where process improvements can be made to reduce the cost and time associated with approvals, including for residential property developers.</p>
<p>The Government should review the legislative provisions for covenants with a view of introducing a sunset period on restrictive covenants and reducing the proportion of landowners required to change a covenant (R5.12)</p>	<p>The Government agrees that covenants can constrain land use and prevent redevelopment that might otherwise occur. The need for unanimous approval of all covenanters means that covenants can be unresponsive to changes in land use over time. Even where a change in use is in the interests of most parties there can be hold outs. The Government has directed officials to identify the scope of the problem and to consider the merits of a sunset clause, allowing change by super-majority, and other mechanisms that ensure covenants do not unreasonably inhibit the provision of housing.</p>
Policies to require lower cost housing	
<p>The Government and councils should promote the supply of lower-cost housing by loosening planning controls and institutional arrangements, rather than inclusionary housing policies (R7.1).</p>	<p>The Government agrees that general application of inclusionary zoning policies is undesirable. The Government has submitted against this type of provision within the AUP.</p> <p>Inclusionary zoning policies that apply across the board to all developments should be distinguished from developments involving Crown land where as part of the development the Crown requires a certain proportion of affordable or social housing. In those cases the cost of the requirement is likely reflected in the land price, and therefore met by the Crown.</p>