

Using Land for Housing

Issues paper – November 2014

Submission for Auckland 2040

By Richard Burton DipTP, Dip Urb Val, MNZPI (ret), Consultant Planner 1980 to 2008

Chairperson

Q1

Is it helpful to think of the planning and development system as a means of dealing with externalities associated with land use and coordination problems? What other factors should the Commission consider in evaluating the role of the planning and development system?

Use of terms such as “externalities” dehumanizes the effect planning systems have on the long term vitality of a growing city. The residential areas of Auckland and other New Zealand cities have been developed over the past century and each suburb reflects the environment and building rules applying at the time it was built. Planning documents since town planning was introduced have regulated the form and scale of building and the degree of intensification (infill) permitted. The wide diversity of neighbourhood character of Auckland’s suburbs is a reflection of these and other factors.

It is important to recognise that the very varied residential neighbourhoods of Auckland’s suburbs have value to the city and to the residents who inhabit them both now and in the future. They contribute to the livability of the city and provide a diverse mix of old and new housing of many differing styles.

If these basic rules are removed and indiscriminate development permitted there is a real danger that the diverse mix of suburbs of differing styles will become a nondescript landscape of older conventional housing interspersed with a mixture of high density apartment and terrace housing. This will not result in a quality built environment.

While an adequate supply of land and affordability of land are of obvious importance this needs to be balanced with retaining the diversity, beauty and livability of Auckland’s neighbourhoods.

Q2

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

The main issue with the supply of land and the affordability of land is not the regulatory mechanisms such as the RMA but the district and unitary plans. The main reason for this is lack of governmental direction at the time the RMA was passed as to what form a district plan should take. This led to each local authority attempting to

prepare their DP in a vacuum and resulted in overly complex plans lacking clear direction. The focus on effects based planning and the removal of the phrase “direction and control” from Councils’ planning framework reduced abilities of Councils to plan for their areas growth in a meaningful manner.

Planning has impacts at all levels of a city’s growth

1. At a macro level determining in what directions the city will grow and the necessity of providing the infrastructure to service it
2. The nature of the future built form in greenfields areas and the controls on such developments will have a profound effect on the physical forms of the neighbourhoods yet to be created. The role of master planning here can determine good or bad outcomes
3. Intensification within the existing built environment, its intensity and its scale can result in beneficial effects of from concentrated new urban forms supporting the vitality of centres or conversely sporadic, dispersed intensification that disrupts the harmony of existing suburbs
4. At a micro level planning “Protects you from your neighbours and your neighbours from you” in applying controls which protect the amenity of residential areas.

It is important to note that the residents of tomorrow will have the same desire to protect the neighbourhood they live in from inappropriate, incongruous development as do today’s residents. In this respect new entrants can be classified “NIMBY’s In Waiting”.

Planning has not done well in directing and controlling future growth. Often a desire to keep rates down sees a focus on making best use of existing infrastructure. Or an adoption of an overseas fad such as “New Urbanism” or the “Compact City” sees a Council restrict greenfields supply in order to force intensification.

Auckland has for the past century grown along a North to South axis. This is dictated by its physical geography which in turn directed the location of motorways and train lines. However rather than reinforce this N – S lineal character the Auckland Council is seeking a compact urban form and is opposing what would be a logical expansion especially to the North.

Q3

What criteria should the Commission consider in evaluating the current land planning and development system in New Zealand?

There needs to be recognition that planning operates on several different levels (see submission on Q2). At the macro level relating to the supply of land, coordination with other agencies is vital. To use as an example the Western Growth Corridor to the South of Brisbane, a planning decision was made to create a major growth corridor for approximately 120,000 dwellings along the Logan to Toowoomba corridor. This resulted in a major infrastructure spend including

- Motorway extension West
- Passenger rail line and stations
- Other major infrastructure provision

This infrastructure was put in in advance of development but acted as a major spur to development. This resulted in major industrial areas being rapidly developed and the development of whole suburbs of residential development. As a result dwelling prices are in the

A\$400,000 to \$600,000 for a standalone house on a site.

A senior Auckland Council politician has been quoted as saying Auckland does “Just in time infrastructure”. Without bold planning and major commitment to supply infrastructure ahead of development you tend to get piecemeal sporadic greenfields development lacking the scale to create economies of scale.

For brownfields development and intensification the difficulties for creating significant additional land capacity lie with the highly developed nature and fragmented ownership of existing residential areas. If intensification is permitted uncontrolled there is likely to be sufficient incongruous development to cause a real mess but not enough to make a meaningful contribution to land supply. This also creates the likelihood of considerable residents’ resistance leading to political representative changes and then the retightening of planning regulations. There is considerable potential for brownfields redevelopment and focused redevelopment of existing areas around centres. In both cases the key to net yield increases and quality of development lies with the ability to amalgamate titles and the necessity of properly master planning the area to achieve not only greater density but also a better quality living environment. Neither of these two factors are achievable under the present legislation.

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?

Increased development capacity may lead to more housing development but not necessarily “affordable” housing. The following extract shows the breakdown of costs for producing a block of terrace houses using raw land to create 200m2 sites for 130m2 terrace houses. Prices are on a per unit basis.

Economics of creating a terrace house site of 200m2 from bare greenfields land			
Assumes a terrace house block starting from raw land. Price per unit			
	m2	\$	\$
Raw land component	200		
Reserves, roads, infrastructure	200		
Land area required	400		
Land cost/m2 purchase		\$200	\$100
<u>Land component cost</u>		<u>\$80,000</u>	<u>\$40,000</u>
Civil and infrastructure costs		\$40,000	\$40,000
Development, utilities connections		\$40,000	\$40,000
Consultants		\$50,000	\$50,000
Land Development Costs		<u>\$130,000</u>	<u>\$130,000</u>
Total Land		\$210,000	\$170,000
Finance cost 12m months @8%	8%	\$16,800	\$13,600

Total cost to produce 200m2 site		\$226,800	\$183,600
Building Development for 130m2 terrace house	\$1,750	\$227,500	\$230,000
Design consultants, building consent, utilities		\$50,000	\$50,000
Finance cost 12 months at 8%	8%	\$22,200	\$22,400
Total Building cost		\$299,700	\$302,400
Land and Building cost		\$526,500	\$486,000
Profit inc sales commission	15%	\$78,975	\$72,900
Sale price		\$605,475	\$558,900
Price reduction by halving raw land value cost			\$46,575
Raw Land component		13.21%	7.16%
Cost/m2 land and buildings		\$4,657.50	\$4,299.23

While there may be some savings in consultancy fees if a larger development was proposed, this illustrates that raw land cost are a relatively minor component at about 13% of overall cost and that even halving the land value, which is unrealistic, has only a minor impact on eventual sale price. To achieve affordable housing, all the cost lines in the above spreadsheet need to be reduced. **To blame planning controls for the cost of housing may be convenient but is not factual.**

In brownfields developments there are a different set of cost factors as in general the land cost is very considerably greater than with greenfields. This is due to the need to amalgamate several titles to achieve a worthwhile site. Each site has a building on it and this is wasted capital cost. Therefore the only way to make brownfields affordable is by building many small apartments on a site. This increases the number of dwellings but with a significant trade off with size. Also the cost for what you are getting is considerably higher than the greenfields terrace house example above. Purchase price for apartments in Auckland are between \$7,000 to \$11,000/m2 of dwelling. This compares to about \$4700/m2 for the terrace house example. Thus for say \$600,000 you can get a 130m2 terrace house or a 55 to 85m2 apartment. Neither is particularly affordable.

Q5

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

A clearly defined macro infrastructure plan setting out where infrastructure will be provided with infrastructure focused along defined growth corridors and land use planning land supply focused along these growth/infrastructure corridors.

Q6

Are there other local authorities exhibiting good policies or practices in making land available for housing that the Commission should investigate?

Q7

What policies and practices from other countries offer useful lessons for improving the supply of effective land for housing in New Zealand?

Brisbane's Western Growth Corridor provides a good example of bold planning supported by appropriate infrastructure and followed by significant development support.

Q8

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

Building Act has a significant impact on building costs

Q9

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

Plans need to be clear as to the cascade from Broad RPS Objectives and Policies right down to assessment criteria for dispensations from rules. Planning is about land use regulation not social policy and should be focused on giving clear direction to where and in what form development should be directed. Zoning is a very useful and necessary tool and coupled with clear development rules provides certainty as to the form of development.

Q11

What steps do local authorities take to ensure that all people potentially affected by land use Plan provisions or changes have the opportunity to comment? How effective and efficient are these steps?

The complexity and difficulties of navigating the Proposed Auckland Unitary Plan PAUP and the hearing process are such that people who are not expert in planning or law cannot properly understand what is proposed and what rules apply to developments. This leads to the majority of Aucklanders being effectively disenfranchised from the process. Auckland 2040 acts as the umbrella organisation for approximately 100 community organisations across Auckland. This has been necessary as without our professional input effective participation in the process would be very difficult. This lack of involvement leads to resentment and this in turn leads to the creation of political opposition to provisions which seem to the population to be intrinsically unfair. An overly rushed process has created further distrust as to whether the outcome will adequately take into account the concerns of residents and the likely quality of the end result.

Q12

What steps do local authorities take to understand and incorporate the views of people who are potentially affected by Plan provisions or changes, but who do not formally engage in the Plan process?

In Auckland, the Independent Hearing Panel has no mandate to consider any other parties than submitters to the PAUP. At the earlier non statutory stages, it was evident in Auckland that the consultation sessions undertaken by the Council did not reach many people. Those that attended felt it was a waste of time and that their views were unlikely to be considered. By contrast those organized by community groups and ourselves had a huge response because people felt they were being listened to.

Q13

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

There is a need to clearly define growth areas both greenfield and brownfield. There are considerable difficulties in effectively increasing the supply of brownfields land due to the difficulties and cost of land amalgamation. However zoning can be used to identify land around centres which is suitable for conversion to a higher density more urban style. Infrastructure upgrading can be focused into these areas to make them more attractive for redevelopment.

Greenfields land should be made available on a bolder basis so that significant areas are made available for development simultaneously. The Northern Growth Corridor from Albany Hills to Silverdale/Orewa could potentially accommodate over 40,000 dwellings along the main Northern motorway spine with the extension to the Northern busway proposed and budgeted.

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?

I refer to Dr Fairgray evidence for Auckland Council to the IHP on the PAUP, RPS hearings Topic 013 which deals at length with this issue. <https://hearings.aupihp.govt.nz/hearings>, see evidence.

Q15

How well do zoning decisions in District Plans and infrastructure planning in Long-Term Plans reflect demand and supply forecasts?

Zoning and development rules provide opportunity for development. It is up to the development community to make decisions as to when or if development occurs. There are many examples where permissive development provisions have provided for higher density development in good locations but development has not occurred due to other factors; particularly inability to amalgamate land and prevailing market conditions.

Q16

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

Development rules in Auckland and other cities have developed in response to the market. For example, in the 1960's liberal planning controls allowed the development of lineal blocks of flats later called sausage flats. These generated considerable community opposition and controls were introduced which made subsequent development more appropriate.

Infill has been occurring for over 3 decades. This resulted the ¼ acre lot being subdivided to permit one or more additional dwellings. The early infill development identified some planning issues relating to access past the existing dwelling, lack of outlook, extent of impermeable areas, yards, etc. As a result more sophisticated development rules were developed and the quality of infill development improved as a result. Auckland Council's attempt to again relax the development controls will likely result in the same problems reoccurring with a predictable response from the public leading the re-imposition of controls.

Planning rules are there to mitigate the effects of bad developments. While there are always examples of good development, planning sets minimum standards as a bench mark. Development should hopefully result in a better development than the minimum rules can achieve but Auckland has more examples of bad development than good.

Q17

What are the characteristics of the most effective processes for testing proposed rules, Plans or Plan changes?

What are the effects of the rules in terms of actual development which occurs.

Q19

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

Councils have not been good at relating urban growth to transport. A look at Auckland in its geographical context indicates that a lineal form is the most appropriate yet Council has adopted a dispersed Intensification form focusing growth within the MUL.

See the evidence of Professor Dushko Bogunovich for Auckland 2040 to the IHP on the PAUP, RPS hearings Topic 013 which deals at length with this issue. <https://hearings.aupihp.govt.nz/hearings> , see evidence.

Q22

How important is it that rules for development and land use provide certainty?

If there is one Planning principal which the great majority of Auckland's residents support it is certainty. Certainty means:

- a. Having zones which set clearly delineated boundaries on the type, scale and scope of development permitted
- b. Clear and unambiguous development rules
- c. Assessment criteria which make clear that the rules are to be adhered to except in special site specific circumstances
- d. Potential for affected parties' consents and public notification for resource consents that fall outside the parameters of the zone

Certainty in plan provisions is not anti-development. Developers benefit from certainty in that land price is reflective of actual zoned development potential not some inflated value based on a belief that a larger development may be approved. Certainty makes development easier to plan and achieve consent for. If the development complies it gets consent.

Certainty is also about honesty of intentions. If Council proposes to intensify around centres then the zoning should clearly state that the existing housing stock is going to be replaced over time with high density. Residents then know that area's future and can plan accordingly.

In the suburban residential areas certainty means not having loose policies, ambiguous rules and very liberal dispensation provisions such that incongruous developments can occur in a street without the neighbourhood's knowledge or involvement.

As drafted the PAUP lacks any semblance of certainty

Q23

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

No, liberal application of dispensation rules mean there is no certainty to the extent of development that may be permitted. This is a negative for developers as they are unable to advise purchasers of their developments as to what scale of development may be permitted next door.

Certainty of implementation is more important than flexibility

Q26

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

Minimal, in the PAUP design guidelines are not mandatory and will only be referred to for larger developments requiring resource consent

Q29

Which processes are most important to applicants for providing consistent and efficient assessments of resource consent applications?

The availability of free pre-lodgment meetings and advice can do much to speed up the consent process. Having access to design advice would also be desirable.

Q32

What are the impacts of notification on the supply of development capacity? How could the processes surrounding notification could be improved?

Minimal, however the ability to publicly notify developments is a powerful tool councils use to influence potentially bad development. The threat of public notification is generally sufficient to make a developer rethink the negative aspects of their development. While detractors may say this reduces opportunities for development the reality is that many developments which were modified following the threat of notification have proven more successful than those that proceeded despite their shortcomings.

Q35

Does the type of person making the decision on resource consent applications affect the fairness, efficiency or quality of the outcome? What difference (if any) does it make?

In some case the personal prejudices of the consenting officer can have a material effect on the decision. A panel of more than one person generally produces a fairer, more balanced decision. Clear expectations within the plan can also improve these factors.

Q36

Does the use of external experts (for example as independent commissioners or contracted staff) in making resource consent decisions create conflicts of

interest? If so, how are these conflicts managed?

Not really - conflict of interests should be divulged and where a decision maker has a conflict they generally do not hear a consent application

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?

Councils tend to understate brownfields infrastructure costs and overstate greenfields costs. The most obvious example is in their assumptions that the existing infrastructure can accommodate the intensification proposed. In cases where intensification necessitates over time the replacement of local infrastructure and the upgrading of main infrastructure the cost is considerably greater than the cost of greenfields development. In transport infrastructure the costs are added to greenfields infrastructure costs but within the existing urban areas the assumption is that the existing roading capacity will absorb the growth or people will convert to public transport. The cost of increased congestion is not factored into the infrastructure cost.

Q54

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

They are a more significant cost of housing than raw land cost

Q63

What impact does heritage protection have on the supply and development of land for housing?

Heritage areas are generally comprised of many small titles with intensive old development. There are considerable difficulties in acquiring sufficient land for an effective higher density development. Heritage areas are important to all cities as they form the cities' roots.

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, and how?

To achieve good quality high density, acquiring land of sufficient size and frontage is essential. Narrow smaller sites severely constrain development options and constrain the form of development. If a comprehensive development is to be achieved master planning coupled with site amalgamation is required to achieve high development intensities and good integration.

Q67

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

Yes provided there are sufficient safeguards to protect individual rights. There should be an appeal process to the Environment Court. If aggregation of brownfields land is proposed then a

precinct planning process with community consultation should be carried out to assist community buy in to development.

Q69

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

There is considerable anecdotal evidence that land banking is being undertaken in the SHA's where land is being acquired with the sole intention of selling it on for a profit.

Auckland 2040

rjburton@xtra.co.nz

09 4860783

021 720 107