

4 August 2015

**Submission by****Hamilton City Council****NEW ZEALAND PRODUCTIVITY COMMISSION'S 17 JUNE 2015 DRAFT REPORT  
'USING LAND FOR HOUSING'****1 EXECUTIVE SUMMARY****2 Key Messages**

The use of land for housing is only one part of a complex issue. Hamilton City Council (HCC) urges the New Zealand Productivity Commission to further consider the crucial role of Central Government and developers in making enough sufficient land available for housing. The Productivity Commission's draft report findings have confirmed that Hamilton's approach to housing supply is sound. However, the funding of growth infrastructure remains Hamilton's biggest issue. Without additional funding sources available to HCC, debt becomes a serious constraint on the ability of Council to provide infrastructure to service land for housing.

**3 Integrated Planning**

HCC supports more responsive RMA processes and the greater use of mechanisms such as National Policy Statements. Similarly, HCC supports streamlined statutory processes to enable spatial planning which present new opportunities for strategic, collaborative and integrated planning for growth.

**4 Supply and Release of Land**

HCC supports the use of land supply targets and monitoring and reporting, as well as greater efforts to streamline process around notification and submissions.

**5 Regulation and Approval**

HCC does not support recommendations that could result in poorly designed or sub-standard housing. Consideration of the importance of housing and urban environments should not be limited to supply and affordability, but also to the quality of the environment created. HCC encourages the use of the existing RMA Section 32 mechanism to determine costs and benefits around any requirements regarding housing provision and encourages central government efforts to ensure long-term affordable housing options.

**6 Planning and Delivering Infrastructure**

HCC supports use of Developer Agreements so that land for housing is not unnecessarily constrained. HCC is actively exploring options to improve asset management, the development of optimal and consistent infrastructure standards to ensure the efficient use of infrastructure and the increased default duration of designations to ensure effective planning for provision.

**7 Governance, Policies and Planning**

HCC supports greater integration and clarity in governance and planning frameworks around transport and water.

**8 Shaping Local Behaviour**

HCC **does not agree** that the case for the Land Value system rating is clear cut and urges a broader consideration of the function of rates. See Appendix 1 for further consideration of this matter.

**9 Planning and Funding Our Future**

HCC generally supports the Commission's further consideration of mechanisms to increase the delivery of land for housing i.e. Land Value capture.

## 10 COMMENTS

### 11 **Hamilton's Approach to Housing Supply Confirmed as Sound**

In Hamilton City Council's (HCC) 23 January 2015 submission, Council argued that its approach to housing supply is sound. Hamilton remains an affordable city to buy a house with a number of options available locally in the national lower quantile price ranges. Since Hamilton was first included in the Demographia report series in 2007, Hamilton's affordability index rating has reduced from 6.3 to 4.7 (2015 report). Hamilton has a strong history of strategic management of growth, which has ensured that there is provision of an adequate supply of zoned land for the next 40 years, and serviced land supply for at least the next 10 years. The positive results of HCC's strategic approach are reflected in the NZPC report findings. The NZIER report (Land Use Regulation in New Zealand, 2015) reveals that Hamilton had the least stringent land use regulation out of the selected jurisdictions. Furthermore, the reported pattern of intensification in Hamilton reveals that intensification has largely concentrated toward the urban centre, as per the Alonso-Muth-Mills model referenced. This reported pattern of intensification corroborates the NZIER report findings and suggest that HCC has the balance of land use regulation right and that the market in Hamilton is relatively unconstrained.

### 12 **Developers' Incentives Need to be Examined Further**

The NZPC's draft report does not, in HCC's view, fully consider measures which would further encourage developers to supply the market with housing. Further options that could be examined to ensure land is brought forward by developers in a timely manner include:

- Limiting the ability to stage subdivisions in a way that allows developers to sit on land and drip-feed it onto the market.
- Significantly shorter timeframes from subdivision consent to Section 224c stage.
- Other incentives for developers to supply land for housing to the market in a timelier manner.

### 13 **The Crucial Role for Central Government should be Examined Further**

Local government's role in land supply is important, but strong leadership is needed from central government. HCC is of the view that the Productivity Commission's report should further consider the role of central government in the supply of housing. There are a number of roles that central government could play which are not examined in the report and these include:

- Greater support for regional collaboration e.g. Upper North Island Strategic Alliance (UNISA);
- The provision of housing;
- Strong legislative and institutional provision for affordable housing (such as through housing associations to ensure long-term affordability);
- A stronger role for central government in affordable renting provision;
- An increased range of effective local measures, including further infrastructure funding options.

## 14 **CHAPTER 2: CITIES, GROWTH AND LAND FOR HOUSING**

### 15 **F2.15 Restrictive land use regulations limit the ability of people to seek better employment opportunities in cities, are a barrier to potential productivity gains, and may create risks to macroeconomic stability.**

HCC OPPOSES. This finding is based on one citation from an American study on page 62 of the Productivity Commission's June 2015 Draft report. Further evidential research in the form of a literature review would provide a more rounded view. We ask that the Commission consider both the costs and benefits of land use regulation.

16 **CHAPTER 3: INTEGRATED PLANNING**

- 17 **R3.2 The Ministry for the Environment should explore the potential to develop an Urban Feasibility Model that New Zealand local authorities can use.**

HCC SUPPORTS.

- 18 **F3.1 A number of parties expressed concerns about the interaction of the three main planning Acts, and their collective impact on the ability of local authorities to coordinate land use, transport and infrastructure decisions.**

HCC SUPPORTS.

- 19 **Q3.1 Is there other evidence of the benefits or costs from New Zealand's spatial planning processes that the Commission should be aware of?**

HCC is a partner in the Future Proof Sub-Regional Growth Strategy. The benefits and costs of this process were covered largely in HCC's original submission. If the Productivity Commission is looking for estimates of dollar values in terms of the benefits of spatial planning this is very difficult to quantify. However, we are aware of work completed for the Waikato Mayoral Forum which estimated that there could be efficiency savings for the Waikato region in developing a spatial plan of \$40 - \$50 million over 10 years from having fewer plans, policies, bylaws and common planning procedures.<sup>1</sup>

- 20 **Q3.3 Are there other functions and activities that should be included in a new legislative planning avenue for cities?**

Other functions and activities that would benefit from a streamlined planning process include:

- Plan changes and variations where they relate to affordable housing, accompanied by a set of national policies, such as a National Policy Statement to provide clear direction to councils, as currently affordable housing is just one of many factors to be considered.
- Consenting and designation requirements for local authority infrastructure. Both processes can add time and cost to the process of providing infrastructure for growth areas and the effects-based process focussed on individual projects can complicate or compromise a more efficient (and cost-effective) growth-area-based solution and ultimately add costs to provide growth infrastructure.

- 21 **Q3.4 What processes or mechanisms should be used to ensure that proposals for new land-use regulation in future spatial plans are subject to rigorous and independent scrutiny?**

If new land-use regulations for spatial plans were to be introduced, the Government should consider aligning these with either a streamlined Schedule 1 processes in the RMA, or a similar process to that used for the Proposed Auckland Unitary Plan.

- 22 **F3.12 Duplicative statutory consultation requirements make it time-consuming and costly for local authorities to translate spatial plans into RMA regulatory plans.**

HCC SUPPORTS.

- 23 **F3.13 Strengthening the recognition in the RMA of plans prepared under other statutes would be unlikely to significant speed up the translation of spatial plans into District Plans.**

HCC SUPPORTS.

- 24 **R3.5 new legislative avenue should be designed to focus spatial plans on activities that: are of high importance to the functioning of cities and the provision of development capacity for housing (e.g. land supply, infrastructure provision, transport services); relate closely to the use**

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<sup>1</sup> *A Business Case for Completing the Waikato Plan*, January 2013

**of land or space and the management of negative externalities; and are most efficiently dealt with at a local level and through local authorities.**

HCC SUPPORTS IN PART.

- HCC supports a new legislative avenue being developed for spatial plans. The combination of infrastructure, transport, growth and land-use planning as suggested in finding F3.15 is supported.
- However, the proposed narrowed focus of spatial planning in R3.5 is not supported. Spatial planning is not solely about residential land demand. For example, Section 79 (4) (d) of the Local Government (Auckland Council) Act 2009 sets out the scope of a spatial plan within Auckland as including residential, business, rural production, and industrial activities. The Future Proof Growth Strategy integrates environmental, economic, social and cultural outcomes at a sub-regional level.
- R3.5 appears to contradict R3.7 in terms of central/local government involvement in spatial planning. Central Government has had very little involvement at the regional level in the recent past and therefore councils have increasingly been developing regional or sub-regional spatial plans as a mechanism to enable strategic decision-making. Good spatial planning should not necessarily be limited to local level activities. Spatial planning at a regional or sub-regional scale can be beneficial, for example in reducing duplication of infrastructure provision.

25 **R3.6 The new planning avenue should be voluntary to allow local authorities to choose the statutory planning mechanisms that best suit their circumstances.**

HCC SUPPORTS.

26 **R3.7 Future plans prepared under the new legislative avenue should be developed in partnership with the full set of central government actors whose services matter for the functioning of cities. Given the fiscal implications of greater central government involvement in spatial planning, both Cabinet and the relevant local authority should approve such plans.**

HCC OPPOSES. HCC supports the involvement of central government agencies in the development of spatial plans, however we do not support Cabinet approving such plans. Whilst central government does provide funding in some key areas, much of the funding for growth is provided by local government. Spatial planning should be a collaborative effort between the community, local government, infrastructure providers and other key stakeholders. Central government should not have the ability to veto a plan that the community has agreed upon.

27 **Q3.2 How could the longer-term development and infrastructure needs of cities better align with central government's fiscal cycle?**

Central government has failed to develop a long-term strategy for its infrastructure investment, with the exception of NZTA. Key central government agencies that provide local services should be required to undertake long-term service and infrastructure planning in growth areas with the same timeframes and based on the same set of data and assumptions. Whilst local government is required to plan long term (30 year Infrastructure Strategies), there is no such requirement for central government who tend to be more reactive. The National Infrastructure Unit is beginning to work to combat this through the development of their 10 year Capital Intentions Plan, but even they have recognised the difficulty of working across central government silos and the lack of long-term information that is available. Central government should also consider joining up some of its ministries to allow for integrated planning to occur.

- 28 **R3.8 The new legislative planning avenue should include processes to encourage robust regulatory analysis and development, as section 32 of the Resource Management Act is designed to do.**

HCC SUPPORTS.

29 **CHAPTER 4: SUPPLYING AND RELEASING LAND**

- 30 **R4.1 High-growth local authorities should express their land supply targets in terms of zoned and serviced land and report publicly on their performance.**

HCC SUPPORTS IN PART. If reporting was mandatory, this would require a strong set of guidelines and definitions from government. Consideration should be given to making this a voluntary reporting mechanism for areas such as Hamilton, which does not currently have a housing affordability issue.

- 31 **R4.2 Local authorities should monitor and report on dwelling completions and net changes in the dwelling stock, relative to expected and actual population and household growth.**

HCC SUPPORTS.

- 32 **R4.3 The Ministry of Business, Innovation and Employment, Statistics New Zealand and territorial local authorities should work together to improve the quality of official statistics available from the building consent form as a priority.**

HCC SUPPORTS. Standardised reporting of dwelling types would improve data quality and comparability. There is currently no standard definitions, consistency or clear hierarchy of consent categories. HCC sought to resolve these issues as far as possible by recently remapping the internal process of building consent data collection and has been actively involved in the Statistics New Zealand recoding project. At the time, HCC sought best practice advice from MBIE however as no RMA national standard was available no guidance was forthcoming. Alongside this HCC has also sought to develop growth reporting modelled on the monitoring required of the Auckland Council under the Auckland Housing Accord. MBIE should provide guidance on these matters and/or be prepared to assist in resourcing the development of the model consent form for all territorial authorities.

- 33 **R4.6 The Ministry of Business, Innovation and Employment and the Ministry for the Environment should, once the work of the Auckland and Christchurch Independent Hearings Panels (IHPs) is complete, evaluate the IHP processes, with a view to deciding whether IHPs should become a permanent feature of the planning system.**

HCC SUPPORTS. There are also other examples that could be evaluated by MBIE and the MFE, such as the independent Board of Inquiry process via the Environmental Protection Authority. A recent example is the 2014 Board of Inquiry for the Ruakura Inland Port development.

- 34 **Q4.2 What are the merits of statutory controls on subdivision covenants, such as time limits, restrictions on the subject matter in them, providing councils with powers to override them, or creating mechanisms to reduce the barriers to extinguishing them without unanimous consent?**

There does not appear to be a good case for councils having the right to remove such covenants and HCC is opposed to this proposal. If these covenants are found to be impeding land supply, then the Government should look at the ability for developers to impose such covenants in the first place rather than providing councils with powers to remove them. Alternatively, an independent agency such as the Environmental Protection Authority would be better placed than councils to administer a process for removing covenants.

35 **Q4.3 What impact would further narrowing eligibility to make further submissions have on plan change processes? If eligibility should be narrowed, which parties should be excluded?**

The amendments to the RMA in 2009 narrowed eligibility to make further submissions, but in practice this has not had any noticeable effect on the number of further submissions received. It has also added a further regulatory burden to councils as there is an added requirement to determine whether further submissions meet the eligibility test. Therefore, it is not considered that additional narrowing of the eligibility for further submissions would have any significant impact on plan change/variation processes in terms of reducing time or cost. However, HCC would support a streamlined appeal process whereby third party rights of appeal could be limited where a plan change/variation relates to affordable housing.

36 **F4.13 Both engagement with affected parties on proposed plan changes ahead of their notification and circulation of draft plan changes for comment are leading practices that may help to reduce the incidence of appeals.**

HCC SUPPORTS.

37 **CHAPTER 5: REGULATIONS AND APPROVAL PROCESSES**

38 **R5.1 Urban territorial authorities should remove District Plan balcony / private open space requirements for apartments.**

HCC IS OPPOSED.

- The evidence provided on Page 120 of the Productivity Commission's June 2015 Draft report does not substantiate whether the additional costs associated with providing balconies or private open space to developments would indeed be recouped as a saving to the end-buyer. There is no mechanism proposed to ensure that any cost-savings would result in more affordable housing.
- The report does not contain a robust analysis of the costs and benefits of the provisions of balconies or private open space.
- HCC is concerned that this recommendation could result in the creation of substandard, poorly designed apartments. The current process, whereby the costs and benefits of rules that require balcony/private open space is subject to a robust Section 32 analysis under the RMA, is preferred.
- A one-size fits all approach to this rule is not warranted given the variety of circumstances throughout New Zealand. It should be up to the local authority to make the decision as to what is appropriate in its area.

39 **R5.3 Urban territorial authorities should remove District Plan minimum parking requirements, and make more use of traffic demand management techniques.**

HCC SUPPORTS IN PART.

- In the Hamilton CBD, for example, the Proposed District Plan already contains no minimum residential parking requirements, and HCC is already implementing a range of traffic demand management techniques, including initiatives such as carpooling, travel plans, integrated transport assessments, cycling and walking tracks, end of journey facilities and land use planning to reduce the need to travel.
- However, R5.3 would appear to be suggesting that wholesale removal of minimum parking requirements, without a robust analysis of the benefits and costs of this in different parts of a city, town or district.
- Additionally, the report doesn't contain evidence to correlate these techniques with a subsequent reduction in house prices.
- It should be up to the local authority to make the decision as to what is appropriate in its area.

Therefore, HCC would suggest that this recommendation be amended, either by further evidence, or by re-wording as follows:

“Urban territorial authorities should, when undertaking plan changes, consider whether there is a need for minimum parking requirements as part of the Section 32 analysis”.

And “Urban territorial authorities should consider making further use of traffic demand management techniques”.

- 40 **R5.4 Local authorities should undertake robust cost-benefit analyses before considering the introduction of building height limits, and should lift current limits where it cannot be demonstrated that the benefits outweigh the costs.**

HCC IS OPPOSED. HCC is opposed to this recommendation, as it would result in a duplication of work already required under the RMA.

- 41 **F5.5 Multiple and conflicting objectives in RMA plans reduce the ability of those plans to provide sufficient land and development capacity.**

POINT OF CLARIFICATION. RMA plans are required to consider a variety of potentially conflicting considerations as mandated by the RMA. If the provision of land for housing is deemed to be relatively more important than other matters that councils are required to consider, there is a need for clarity from central government as to the relative priorities of various matters.

- 42 **F5.6 Inadequate underpinning analysis for District Plan rules and provisions is a key source of unnecessary regulatory costs for developers.**

HCC OPPOSES. HCC does not agree with this finding. Cost/benefit analysis is already required under Section 32 of the RMA. The provisions of Section 32 have already been significantly strengthened as a result of the changes introduced in the RMA amendments in 2013. Further stringent requirements will drive up cost and time spent in the regulatory cycle.

- 43 **R5.6 The Government should introduce amendments to the RMA to clarify the role and importance of housing and urban environments.**

HCC SUPPORTS IN PART. HCC agrees that the Government should provide national-level guidance as to the relative priority of housing and urban environments. However, this does not need to be enshrined in RMA legislation. National Policy Statements are a more flexible tool as they can be tailored to allow higher weighting in areas where affordable housing is an issue, and can be amended if the policy position changes.

- 44 **F5.18 Local authority policies on inclusionary housing are likely to struggle without a range of other supporting policies, most of which require support from central government.**

HCC SUPPORTS IN PART. HCC agrees that there is a strong role for Central Government in investigating long-term affordable housing options. It is also important to recognise that inclusionary housing policies may have an important role to play in ensuring that the market does provide affordable housing and so these policies should not be discounted.

45 **CHAPTER 6: PLANNING AND DELIVERING INFRASTRUCTURE**

- 46 **F6.2 Councils tightly control the supply of infrastructure to support urban growth. This is a prudent approach from the perspective of managing costs and risks. However, it can constrain the supply of land for housing. In turn, this can contribute to higher land prices by reducing competition among developers and reinforcing expectations among investors of a scarce supply of land for housing.**

HCC OPPOSES. Councils control the supply of strategic 'bulk' infrastructure within the fiscal constraints within which councils operate. This is a prudent approach and ensures councils meet their requirements in terms of Long Term Plan planning. Other types of infrastructure, including local and collector roads, stormwater and wastewater connections, are supplied by the developers. It is important to distinguish this, as it can be the case that the strategic infrastructure is available, but developers may choose not to open up a growth cell for a number of reasons (land banking, control of market share, etc). Additionally, in Hamilton, HCC is completely open to developers forward funding infrastructure through development agreements.

47 **Q6.1 What are the main advantages and disadvantages of development agreements? What, if any, barriers exist that unnecessarily limit the uptake of development agreements?**

HCC introduced a Growth Funding Policy in 2013 which provides a framework for the development community to privately fund developments in advance of, or not anticipated in, the 10-Year Plan.

Advantages:

- The Policy provides greater certainty for developers about how the development community can accelerate investment in growth infrastructure.
- Developers have responded well to these agreements.
- The developer is able to accelerate investment in growth infrastructure to a timetable that may better suit them, in a way that is cost neutral to the community.
- Generally, these agreements work well for smaller infrastructure projects,

Disadvantages:

- For larger projects costs can be prohibitively expensive and there are few developers with sufficient access to capital to fund very large infrastructure projects.
- Significant time and cost involved for both parties in preparing and signing the agreements.

48 **R6.2 Councils should identify areas where there is existing infrastructure capacity and ensure that planning rules do not prevent intensification from occurring in these areas.**

HCC OPPOSES: HCC takes a targeted approach to identifying intensification areas in the District Plan, and has undertaken infrastructure capacity analysis to support this approach. However, the availability of infrastructure capacity should not be the only determining factor for whether intensification is appropriate in particular areas. HCC undertakes careful planning for intensification areas to ensure that these areas also respond to local circumstances. Intensification has to be balanced with the wishes of the community.

49 **R6.3 Councils should prioritise the development of up-to-date asset management information systems. This should be supported by recruiting and developing staff with the skills and expertise needed to make effective use of these systems, and ensuring that the information from asset management systems is integrated into decision-making processes.**

HCC SUPPORTS.

50 **F6.5 Development agreements enable developers to take responsibility for building major infrastructure. This shift has the potential to generate a swifter supply of infrastructure at a lower cost.**

HCC SUPPORTS.

51 **Q6.3 How effective are existing initiatives to facilitate standardisation of approaches to asset management, resource sharing, and dissemination of good practices?**

The Waikato Mayoral Forum, an initiative involving collaborative working amongst the region's councils, has set up RATA (Road Asset Technical Accord) which aims to save money and work smarter by promoting greater co-operation in planning and delivery of road maintenance on local



council roads. RATA's initial work involves reviewing road construction and resealing programmes, and future projects will look at LED street lighting and developing a consistent approach to the maintenance and improvements to unsealed roads and asset management database support. The work is in the early stages but is already proving quite effective in facilitating standardisation of approaches. Another initiative is the National Road Efficiency Group, which is a collaborative initiative by the road controlling authorities of New Zealand which is looking at more effective ways of working with the aim to reduce costs and encourage innovation in the management of local roads and state highways.

- 52 **R6.4 Councils should pursue opportunities to make more efficient use of existing infrastructure assets including through greater use of user charges where this can reduce demands on infrastructure.**

POINT OF CLARIFICATION. National-level guidance would assist in standardising the response in terms of user-charges. In the absence of this type of guidance, councils will continue to consider the options for user charges taking into consideration the costs of administration and implementation and the community's aspirations.

- 53 **R6.5 Government should adopt the Local Government Infrastructure Advisory Group's recommendation to amend the Land Transport Management Act to allow pricing on existing roads where there is a business case that enables effective network optimisation.**

HCC SUPPORTS IN PART. Whilst this recommendation is supported in principle, and would provide another tool for councils to consider, the reality of implementing road tolls involves a very costly and time consuming process. In order to be effective, the process would need to be simple and certain.

- 54 **R6.6 Councils' asset management systems should feed into decision making about optimal infrastructure standards. The data used to inform standard-setting should be shared openly with the development community.**

HCC SUPPORTS. HCC's asset management system has been developed to assist in developing optimal infrastructure standards. Councils take a whole-of-life, full community view of infrastructure standards, whereas developers can, understandably, be more focussed on their individual developments. In reality, it is often problematic to convince developers that these optimal standards should be adopted in their developments. For example, an optimal street lighting standard is for a single type of lamp post; however developers often wish to put in their own solutions, with bespoke lighting designs. This can add cost and time when replacing street lamp posts.

- 55 **F6.6 Innovative approaches to infrastructure construction that lower upfront costs and allow services to be scaled up as demand increases can help to overcome the difficulties of investing in infrastructure to support future growth. The staged construction approached used by Selwyn District Council is a good example of this leading practice.**

HCC SUPPORTS.

- 56 **Q6.4 Is the designation process sufficiently responsive to allow major infrastructure projects that unlock new land for housing? Should the default duration of designations be changed?**

The designation process is not sufficiently responsive and results in significant time, costs and uncertainty for councils and developers alike. HCC fully supports increasing the default duration of designations for the following reasons:

- Given the significant costs involved in securing a designation, a short lapse period can result in these costs being duplicated if the designation is not given effect to in the timeframe.

- A longer duration would also allow strategic thinking to ensure the integration land-use and infrastructure well in advance of development and would allow alignment with the 30 year Infrastructure Plans which councils are now required to develop. It would also provide greater certainty for the community as to where major infrastructure was to be located.
- Hamilton has a number of successful examples of infrastructure projects which were planned many years in advance, which provided certainty to the community as to the future planning for the area.

57 **Q6.6 Is there a case for greater consistency of infrastructure standards? If so, what types of infrastructure would benefit from greater consistency, and at what level (regional or central)?**

Yes, there is a case for greater consistency of infrastructure standards at a regional level and HCC is already working towards this in the Waikato. The Productivity Commission's draft report refers (page 177) to Hamilton's Infrastructure Technical Specifications, which have been adopted by six neighbouring district councils. HCC is now working on an updated technical specification manual aligned to NZS4404, which will be implemented as a regional project across the Waikato via the Waikato Mayoral Forum. This will look at roading and three waters infrastructure standards. National level standards would be challenging as different regions have significantly different environmental considerations (e.g. soil types) and different drivers (e.g. freight, different industries, rural areas, tourism). Therefore HCC is of the view that consistency of infrastructure standards at a regional or sub-regional level is more appropriate than at a national level.

58 **CHAPTER 7: PAYING FOR INFRASTRUCTURE**

59 **F7.2 Recent assessments have not identified serious concerns regarding local authorities' use of debt.**

HCC DISAGREES. Without additional funding sources available to councils, debt becomes a serious constraint on the ability of councils to provide infrastructure to service land for housing.

60 **R7.1 Evaluation of the financial prudence and reporting regulations should monitor 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.**

HCC SUPPORTS.

61 **R7.3 The Local Government Act should be amended to make clear that developers may normally request that councils construct growth-enabling infrastructure, to be repaid through targeted rates on the properties that benefit from the infrastructure connections, and obliging Councils to consider such requests.**

Development Contributions may still be required to fund city wide/upstream growth related infrastructure costs. HCC has modelled using targeted rates to pay off infrastructure costs in lieu of development contributions, and the resulting additional rates vary significantly across catchments from a few hundred dollars per annum to \$3,000-\$4,000 per annum over the next 30 years. Spreading the payment of costs over a longer time period via target rates increases the overall cost of financing infrastructure and risks that these significant costs are shifted from developers onto future ratepayers.

62 **CHAPTER 8: GOVERNANCE OF TRANSPORT AND WATER INFRASTRUCTURE**

63 **R8.1 The Government Policy Statement on Land Transport includes relatively weak reference to land supply for housing. A stronger focus on how transport infrastructure can support land**

**supply for housing would change NZTA’s investment priorities and might help to free up land supply in high-growth cities. However, shifting the priorities for land transport funding could have implications for existing priorities.**

64 HCC SUPPORTS IN PART. Whilst the principle of clearer funding investment from NZTA on growth infrastructure is supported, the reality is that unless there is more funding available from the total pool, this would lead to a shift in funding from existing priorities. This could result in less money being available for maintenance and safety works, for example.

65 **R8.4 The requirement to consider development agreements that applies to councils should also apply to CCOs.**

HCC SUPPORTS.

66 **Q8.2 Are there significant scale economies in the provision of water infrastructure that could improve the efficiency of provision that are not being realised in New Zealand's high-growth cities?**

The recent Cranleigh et al. report (Business Case for Water Services – Delivery Options, 2015) on a Waikato Water CCO, referenced in the Productivity Commission Draft report highlights the efficiencies that can be realised. In response to the report, HCC at the Council meeting on 30 July 2015 made the decision to support “in principle” the formation of ratepayer owned Waters Council Controlled Organisation (CCO), subject to other councils also approving the same.

67 **Q8.3 Would greater integration and clarity within the statutory and legal frameworks for water supply, wastewater and stormwater assist councils in providing the water infrastructure necessary to support urban growth?**

HCC’s view is that greater integration and clarity within the statutory and legal frameworks for the three waters would assist councils. The current statutory framework is complex, including a number of legislative requirements under for example the RMA, the LGA, the Health (Drinking Water) Amendment Act 2007, the National Policy Statement for Freshwater Management, the Waikato River Act, the Vision and Strategy for the Waikato River (Te Ture Whaimana o Te Awa o Waikato), and the National Environment Standard for Sources of Human Drinking Water. As part of the Future Proof partnership of which HCC is a partner, a 3-Waters Strategy has been developed to assist in the integration of the complex statutory framework for the three waters and ensure consistent management across the Future Proof sub-region.

68 **CHAPTER 9: SHAPING LOCAL BEHAVIOUR**

69 **Q9.2 Does scope exist to introduce mechanisms such as the Brisbane neighbourhood plans into the New Zealand planning and development system? If so, how would it be implemented?**

- In Hamilton, we already have examples of locally-based planning incorporated into the District Plan. An example is the Central City Zone in the Hamilton Proposed District Plan which also incorporates different rules for various ‘precincts’ or areas within the zone.
- In New Zealand, the infrastructure planning is incorporated in the Long Term Plan rather than the Proposed District Plan.
- In order to implement the Brisbane model completely, the infrastructure planning would need to be incorporated into the District Plan, which is currently not provided for in NZ legislation.
- A streamlined or separate legislative avenue which would allow the implementation of neighbourhood plans, including integrated land-use and infrastructure planning, could allow for the types of outcomes allowed via the Brisbane model to be incorporated.

70 **Q9.3 Would there be merit in a National Policy Statement relating to the provision of adequate land for housing? What would be the costs and benefits of such a statement?**

HCC does not support an NPS relating to the provision of adequate land for housing. An NPS outlining the relative priority of housing (see R5.6) is supported but it should be up to the local authority to make its own decisions about what is adequate housing land given its local context.

71 **Q9.4 Would there be merit in expanding existing powers in the RMA to enable Ministers to direct changes to District Plans and Regional Policy Statements that provide insufficient development capacity to meet population growth? What would be the costs, benefits and implications of such a move?**

HCC is not supportive of this type of intervention. Such powers should be limited to where there is a nationally-important issue in need of resolution. Plan making at a local level is important as it takes into account issues of relevance to the local community and can look holistically at issues, including the links to Long Term Plans. The Government's role should not target specific districts or regions where there are particular resource management issues. Fundamentally, it should be the role of the local council to address issues in consultation with their local community. Directing changes to District Plan and Regional Policy Statements without also ensuring the necessary infrastructure and funding is available could result in land being zoned but unable to be developed.

72 **Q9.6 What are the costs and barriers for a council in transferring from a rating system based on capital value to one based on land value?**

As the Productivity Commission is aware, HCC has just begun moving from land value to capital value, following recommendation of the Shand report (Funding Local Government: Report of the Local Government Rates Inquiry, 2007). HCC was only able to make this transition by retaining its current differential yields, so that the number of 'winners' and 'losers' from the proposal balances out public opposition to change.

73 **POINT OF CLARIFICATION, Page 260.** The second paragraph describes an example of the impact of a change in rating system on the carrying costs for vacant sections which contradicts F.9.15. If the intention is to describe the implications of a change from a land value system to a capital value system a decrease in rates should occur rather than the 'increase' described.

74 **F9.16 Rating based on land valuation appears to be a better proxy for ability to pay than rating based on capital valuation.**

HCC DISAGREES. HCC investigated this for its rating review in 2014, and it is demonstrably untrue, at least in the case of Hamilton City. Capital valuation showed a significantly higher correlation with income than land value. See Appendix 1 for further discussion.

75 **F9.20 A good case appears to exist for setting general rates on the basis of land value rather than capital value, to encourage the development and efficient use of land. Arguments used to prefer capital value rating are not strong.**

HCC DISAGREES. When determining which rating system to adopt councils have multiple issues to consider. See Appendix 1 for further discussion.

76 **R9.1 The Treasury, in consultation with the Department of Internal Affairs, should investigate removing the rating exemption on land owned by the core Crown, including on land used for health and education purposes.**

HCC SUPPORTS. HCC strongly supports this recommendation. This issue formed an integral part of HCC's 9 April 2015 submission to Local Government New Zealand's 'Local Authority Funding Review Discussion Document (February 2015)'. Refer: <http://www.hamilton.govt.nz/our->

[council/consultation-and-public-notice/councilsubmissions/Documents/HCC%20Submission%20to%20LGNZ%20February%202015%20Local%20Government%20Funding%20Review.pdf](#)

Refer Section 1.13 and 1.14 of the submission's Executive Summary and Section 9. In short, HCC is not able to rate the likes of education institutes and health authorities under the Local Government (Rating) Act 2002 (apart from key services such as water, wastewater and refuse). Schools and tertiary institutes in particular have a significant impact on the city's transport network, yet pay nothing towards this infrastructure. HCC has calculated that if the full 'Residential' rate is applied to the rating categories aligned with crown properties (such as 'Education', 'Sporting and Cultural' and 'Community' - which includes Health Board properties), the additional rates revenue that HCC would gain in 2014/15 would be \$1.26 million. If a full 'Commercial' rate were to be applied, HCC would gain additional rate income of \$5.88 million.

**77 Q9.7 Is there merit in providing councils with the ability to levy special rates on vacant properties – an idle land tax?**

HCC SUPPORTS. HCC would be interested in learning if there is merit in the use of such a special rate on vacant land. HCC is not currently aware of any analysis to support its implementation.

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**79 F10.10 It is justifiable for the public to capture some of the increase in private land value that is created by public actions.**

HCC SUPPORTS. In section 9 of HCC's submission to the Productivity Commission's November 2014 Issues Paper, HCC supported a land uplift tax as one alternative way of funding infrastructure development. HCC therefore supports this finding.

**80 FURTHER INFORMATION**

81 Should the New Zealand Productivity Commission require clarification of the points raised in this submission, or additional information, please contact Susan Henderson (Principal Planner, City Planning Unit) on 07 958 5901, email [susan.henderson@hcc.govt.nz](mailto:susan.henderson@hcc.govt.nz) in the first instance.

Yours faithfully



Richard Briggs  
**CHIEF EXECUTIVE**

## APPENDIX 1

### BACKGROUND ON HAMILTON CITY COUNCIL CHANGE TO THE CAPITAL RATING SYSTEM

As the Productivity Commission is aware, HCC has just begun moving from land value to capital value. This move was made in part to align with best practice, and take into consideration the recommendations of the government-commissioned Shand inquiry into rating (Funding Local Government: Report of the Local Government Rates Inquiry, 2007) and the government direction indicated via the Local Government (Auckland Transitional Provisions) Act 2010 which mandated the use of the CV system for Auckland Council. This also aligns HCC with other local councils (Waikato and Waipa District Councils and Waikato Regional Council) and other major cities in New Zealand.

When determining which rating system to adopt councils have multiple issues to consider. Of particular note is the need to apportion the cost of services provided in a fair and equitable manner. HCC is of the opinion that a Capital Value system, on the whole, aligns better with actual services and benefits received by the ratepayer. HCC agrees with the Covec report ( Trends in the Use of Rating Tools Nationally to Fund Services, 2007), which doubts the practical significance of any disincentives created by a Capital land value rating system as other more important factors are likely to be more influential in driving land development and investment decisions. HCC believes that there is no local evidence that the rating system has encouraged or discouraged residential (or industrial) development.

When making the decision to move to capital value, HCC undertook significant investigations, including commissioning an external review of the 'Effects of moving from a Land Value to Capital Value based rating system on Commercial and Industrial Ratepayers'. The results of these investigations led HCC to conclude that that the Capital Value system is fairer, simpler and more transparent. The results of the investigations show that that capital value has a significantly higher correlation with income than land value, and that the capital value systems align better with actual services and benefits received by the ratepayer. In brief, HCCs decision to shift to the Capital Value rates system was informed by the following findings:

#### **Under a Land Value Rating System:**

- Little link to demand for Council services (vacant lots pay the same as developed lots).
- Wide range of values for similar properties (e.g. land values higher for commercial properties in the CBD). Little link to ability to pay (low value houses pay the same as high value ones on land of equal value). Does not accommodate multi-unit properties well (multiple units pay the same as a single house on the same area of land).
- Utilities (e.g. power companies) are excluded even though they are rateable, as their networks have no land value.
- These issues cannot be addressed while remaining on a Land Value system.

#### **Advantages of Capital Value Rating:**

- Better link to use of Council services.
- Vacant lots pay much less than developed lots.
- Large houses pay more than small houses.
- Multi-unit properties pay only slightly less than stand-alone houses.
- Rates for businesses in the CBD are more similar to those of their suburban equivalents.
- Utilities pay rates for the capital value of their assets.
- There is also a better link to people's ability to pay – higher value houses and commercial properties pay more than lower value ones on sections of land that are of similar value.
- More accurate values - more house sales than section sales, so there is more information on which to base capital values.