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19 December 2014

Inquiry into Using Land for Housing  
New Zealand Productivity Commission  
PO Box 8036  
The Terrace  
**WELLINGTON 6043**

Dear Sir or Madam

**SUBMISSION FROM PORIRUA CITY COUNCIL, ON NOVEMBER 2014 ISSUES PAPER "USING LAND FOR HOUSING"**

Thank you for providing Porirua City Council with the opportunity to input into the Commission's initial thinking on potential methods to improve, streamline, or make less costly the process of developing land for housing.

In this submission we will provide Porirua city's context, its development challenges, its housing market, and outline the significance of the affordable housing issue in Porirua. Rather than specifically answering the 74 questions asked in the paper, we will address a few of the key issues raised within the issues paper that are of particular relevance and interest to Porirua City Council.

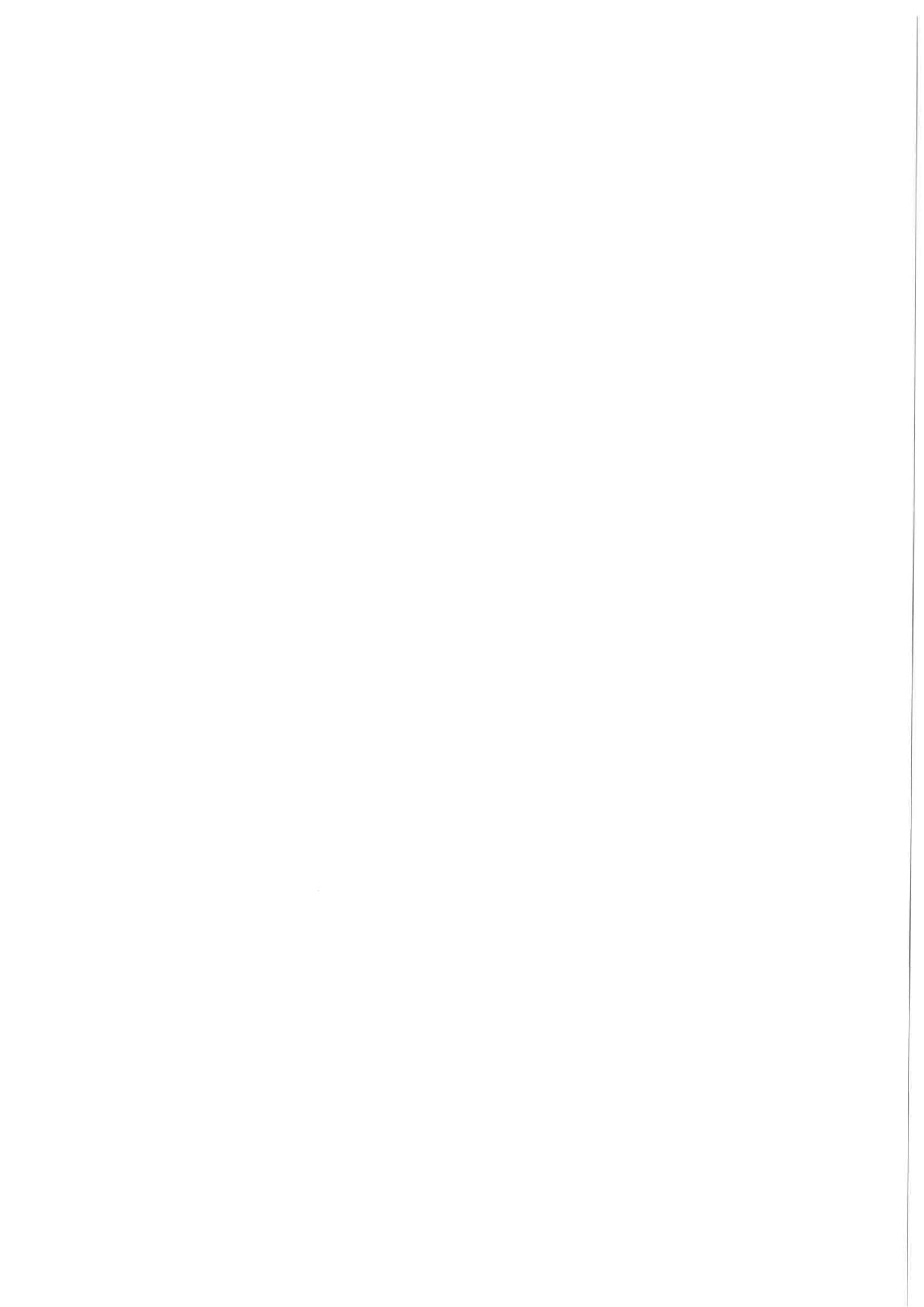
The response provided on this discussion document is based on our operational experience as a consenting authority, policy developer, and a manager of infrastructure. The timing of the submission period means that it has not been possible to bring this paper in front of the full Council.

Housing affordability and housing provision are matters that continue to concern Porirua City Council. We will provide formal feedback to your draft report when it is released in mid 2015.

We hope that the information we have provided is of some assistance. If we can be of further help, please do not hesitate in contacting Harriet Cruden (hcruden@pcc.govt.nz or on 04 2371495), who is the staff member who has assisted me in preparing this feedback.

Yours sincerely

Gary Simpson  
**CHIEF EXECUTIVE**



## **Feedback from Porirua City Council on “Using Land for Housing”, a discussion document by New Zealand Productivity Commission, November 2014**

### **Context of Porirua city and its housing issues**

#### **Area and Population**

1. Porirua city has a land area of 18,251 hectares (183km<sup>2</sup>), and a population of 54,100 (2014 Statistics NZ). 29% of the population is under the age of 18, and 15.4% are over the age of 60. While our population is projected to age, we will remain one of New Zealand’s youngest cities for the foreseeable future.
2. Porirua’s population growth is currently slightly under 1% (approximately 500) per year (over the past 6 years).

#### **Income**

3. Porirua city has a median income of \$26,300, which compares to a New Zealand median of \$24,400. We have a relatively high proportion of people earning over \$40,000, especially in the \$70,000- \$100,000+, compared to the rest of New Zealand.

#### **House prices**

4. Average house prices (November 2014) in Porirua as provided by Quotable Value is \$379,299. On average, there are about 1500-2000 homes or sections sold in Porirua City each year.
5. In terms of affordable housing (i.e Central government definition of <\$400,000), at the time of preparing this response there were 166 households available for sale at <\$400,000 in Porirua city.
6. This included 26 houses in Porirua East for sale, between \$200,000 and \$350,000, and 140 houses in ‘greater’ Porirua for sale under \$400,000.

#### **Housing affordability and existing housing stock**

7. Porirua has been identified by central government as a district with a housing affordability issue- because of its median house prices, and their ratio to gross annual median household income.
8. The 2014 Demographia Study identifies that New Zealand is unaffordable, with Auckland having an unaffordability index of 8.0, and New Zealand as a whole having an index of 5.5.
9. Interest.co.nz (the reference point where Demographia obtained some of their New Zealand data) states that at October 2014, the New Zealand total median multiple is 5.3, and the Porirua median multiple is 5.04. This places Porirua in the Severely Unaffordable category.

10. On census night there were 18,069 dwellings in Porirua city, of which 1056 were unoccupied. The majority of houses in Porirua, are 3-4 bedroom houses on 600-800m<sup>2</sup> sections. There are a small number of medium density houses, and no apartments or high density housing in Porirua city.
11. There are currently 2,141 houses in the social housing, of which 2119 are in the Housing New Zealand Portfolio. Social housing is in high demand, with a constant waiting list for available social housing.

### **Existing Vacant Developable residential zoned land**

12. As at January 2013 Porirua city estimated that it had 490 hectares of suburban zoned land that was considered to be potentially developable vacant residential zoned land.
13. By January 2014, this was approximated to be around 465-470 hectares of potentially developable residential zoned land.
14. Using Porirua's average residential section size (ranging between 600-800m<sup>2</sup> per section, because of to the city's challenging topography), and allowing for associated roading (approximately 200m<sup>2</sup> per section) and reserves, the average land development densities for residential developments in Porirua city are around 10 homes per hectare.
15. This means that the city currently has sufficient residential zoned land to theoretically provide for up to 4,000+ new homes within the city. This figure does not include the city's capacity to accommodate further infill development (for which there is currently limited market demand)
16. Not all of this land is necessarily easy to develop because of topographical constraints (and related costs), and landowner constraints.

### **Vacant land tenure**

17. Approximately two thirds or 300 hectares of this 'greenfield' area is currently held by 5 key landowners, with plans or aspirations to develop sections in these areas by 2030.
18. The balance of this 'available' land (100-150 hectares) is held in more fragmented landownerships titles, often with challenging topographical, access, and landownership issues which constrain the rate at which it can be developed and whether it will be developed at all.

### **Sites immediately available for development**

19. It was estimated in 2014, that approximately 550 sites in the city were available for immediate development of which 150 were at some stage in the building consent process.

### **Annual residential household development rates**

20. Over the past two decades Porirua's average annual new home construction rate has been around 160-180 new homes a year (approximately 70% greenfield, 10% rural and 20% infill).
21. The city has experienced various peaks and troughs in housing development activity. Its highest peak, in the last 2 decades, was the period between 2006 and 2008, where new home building

consent completion rates averaged 320+ new homes per year. This was immediately followed by a housing development trough (2009-2011) associated with the Global Financial Crisis where new home construction rates dropped to around 120 homes per year.

22. The city's current 3 year average (2011-2014) new home construction rate hovers between 160 and 180 new homes per year. This rate is increasing.
23. Porirua 's developable land has historically been land banked by its private owners. That is, although there has been significant quantities of available developable land, that land has been held by a few landowners. Those landowners have historically chosen to only release land when the economic conditions were favourable for their development.

#### **Estimated rate of new residential section creation**

24. In terms of subdivision, between 120 and 200 new residential lots (20 hectares) are created and released to the market each year, from the existing suburban zoned land stock.

#### **Future Development**

25. Porirua city is in the process of preparing a structure plan to guide the future development, and zoning, of its Northern Growth Area. It is anticipated that this will result in an additional 250-300 hectares of land being made available for future residential development, from 2020/21 (subject to plan changes).
26. While this area covers land that has topographical challenges, it is anticipated that this area will have the capacity to accommodate an additional 2000 residential allotments, meeting Porirua City's suburban growth demand (based on existing development trends) to 2040.
27. Future extensions to this growth corridor could accommodate future residential greenfield growth of the city out to 2050+.

#### **House prices**

28. Average house prices (November 2014) in Porirua as provided by Quotable Value is \$379,299. On average, there are about 1500-2000 homes or sections sold in Porirua City each year.
29. In terms of affordable housing (i.e <\$400,000), at the time of preparing this response there were 166 households available for sale at <\$400,000.
30. This included 26 houses in Porirua East for sale, between \$200,000 and \$350,000, and 140 houses in 'greater' Porirua for sale under \$400,000..

### **Housing affordability**

31. In Porirua there is always land readily available for sale, and houses available for sale at affordable prices.
32. It is accepted that many affordable homes are not in areas that are favoured by some house hunters.
33. What this means overall is that although Porirua city has a "housing affordability" issue (based on the median multiple), there is a large quantity of land available and zoned for development, and a significant stock of homes available for sale at affordable house prices (<\$400,000).
34. Paradoxically home ownership remains out of the reach of many of Porirua residents because of their low incomes.

### **Cost of land development**

35. Our cost estimates of land development in Porirua, considering the Porirua's sensitive receiving environment, challenging topography and ground conditions, quantity of earthworks required for most land development (especially greenfield development), all servicing, development contributions and Council costs including a cost/risk contingency is around \$140,000-155,000 per section.
36. Given this high 'entry' cost to get a greenfield sections to market, standard greenfield residential section prices typically start around \$195,000 and range up to and sometimes exceed \$300,000 per section. In Porirua's case the costs of getting sections to market play a significant part in defining what part of the housing development market a developer can afford to target. With sections prices topping \$200,000, land and house packages in Porirua's greenfield areas typically start at around \$500K minimum and average \$600K+.

### **Affordable housing developments**

37. We are unclear whether there are active developers looking for affordable housing projects in Porirua. For example, Housing New Zealand Corporation (HNZC) has undertaken some redevelopment projects in Porirua East, where they sought partnerships to develop some affordable housing. They were unable to attract any interest in the first of these redevelopments (Castor Loop). We are unaware of any subsequent projects starting in the area.

### **Key Housing Issues for Porirua**

38. We consider the main housing issue for Porirua city is not in the number of houses available, but in the typology, and quality of the stock that is available.
39. The city's existing housing stock is predominantly 3-5 bedroom stand-alone houses of a large size, on larger 500-600m<sup>2</sup>+ sites. The city also contains a sizeable housing stock of older homes built in the 1950s and 60s, that do not meet modern building insulation and fit out expectations of many home owners.

40. This housing stock is unlikely to provide the houses of choice for our future empty-nesters, and retirees.
41. In our opinion, the unaffordability of housing in Porirua city relates to:
- Active land banking, by the owners of suburban zoned land.
  - Porirua’s challenging development environment associated with its steep topography which requires a high level of earthworks with nearly all development in Porirua, and our sensitive receiving environment which requires considered management during development processes.
  - More affordable areas dominated by Housing New Zealand stock, which potentially makes those areas seem less desirable to potential house buyers.
  - Developers all deciding which “market” they wish to service with their product, and choosing to develop at that density, in that form, and at that rate. The 2 main developers try to maintain a “book” of pre-sales, where the majority of land being developed has already been pre-sold to people.
  - The “private covenants” that are placed on most greenfield development land, which often dictate the type, form, and value of houses that can be built in new greenfield areas. These covenants sometimes relate to value or size of houses, and now often require developer “sign off” of housing plans.
42. We also question the difficulties created by the policy on LVR only being available on new builds, whereby, if the original person who obtained the buildings with a LVR loan, chooses to sell and move, then the subsequent purchaser is unable to seek a LVR loan to obtain the property. This means you may have lower income household, paying high mortgages, stuck in properties that they are unable to sell. We see this as a relevant, topical issue with high social implications, which does not appear to be canvassed through housing affordability discussions.
43. These matters are all complex in nature, and sit outside of the Resource Management Act processes and processes around servicing asset development, rates, and financial contributions canvassed in this discussion document. While it is simpler to focus on processes in territorial authority control, as the statutorily and government managed mechanisms need to develop land, that is only a small part of the development picture. The scope of what needs to be constructively managed to facilitate using land for housing, needs to be widened to also address the matters managed by private developers, lending Institutions, and social housing providers.

## The discussion document and “issues raised within the document”

### Is there a direct link between land supply, and housing affordability

*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?*

44. We consider the issue of housing affordability is significantly more complex than a simple matter of supply.
45. In our experience a significantly increased supply of land development capacity would not necessarily lead to an increased supply of affordable housing. Porirua city has a large supply of land capacity for housing, and has done so for decades. Even though land is available, and has been able to be developed, Porirua city still has a “housing affordability issue” by common definition.
46. The reality is that in the land tenure process in New Zealand, there is nothing to stop land banking, and it is often the most profitable option for developers to employ.
47. Residential development in New Zealand is for profit. It is a business. The realities are within a Porirua context that developers seek to optimise their return on their investment focussing on a target market for new homes that provide the “best” return for each dollar invested. With high “entry” costs for constructing new home sections, related to Porirua’s topography and sensitive receiving environment, the development community has tended to focus on a higher value new home market typically well outside of the affordable housing range. Developers have to also ensure that an adequate return on investment can be made. Developments have also recognised this market has restraints and as such do not sink costs into a development, by putting in infrastructure etc until they consider that they will be able to get an appropriate return for their investment. In addition, if the measure of affordability is being not only able to buy, but also able to live in a location, a fair proportion of the increased development capacity and the easy picks to meet central Government Accord requirements are greenfield land areas at the periphery of cities. While this land may be “affordable” (depending on the ease with which it can be developed and developer’s target housing market), living, travel costs, and opportunity costs of housing in these areas can be significant, and may not necessarily deliver “affordable living”.
48. The development reality is that new sites need to be serviced, and this can involve significance infrastructure investment to support that development. In Porirua’s case, new growth areas will require upgrade to the sewerage plant and trunk main upgrades. The costs of these upgrades need to be met by Development Contributions on new development. If this does not occur, it will increase to the rates burden already experienced by the Porirua community. Given Porirua’s modest growth rates, the city has to very carefully time the opening of new growth areas to ensure it keeps development contributions as low as possible, and minimise any investment risk to Porirua’s ratepayers.
49. If you look at who “affordable housing is for” (i.e. who is the market), and what they are looking for in terms of lifestyle and family needs, outlying greenfield development may not be the panacea for our set of issues.



### **District Plan development process; and complexity**

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

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

### **Understanding District Plan requirements**

50. The basic premise of our District Plan regarding housing, is to enable housing to occur in areas assessed as being suitable for residential development and, enabling flexibility in design of subdivision in our complex environment. Resultant housing developments that seek to substantially depart from the character or amenity of the area are provided for as a Discretionary Activity within those areas.

51. Even with that basic premise it is not necessarily easy to understand the objectives and requirements of the Porirua City District Plan. Over time case law, National Standards and other directing documents have both defined and made things more complicated in District Plans. The ambit of what must be covered and considered in District Plans and resultant resource consents is ever increasing, resulting in greater complexity and specificity within plans. In addition, as people have been asking for more certainty of outcomes, plans have become more complex to meet both requirements.

52. In basic terms, the simpler the plan, the more open it must be. In order to not define or list specific activities at a fine grain level, the base of assessment needs to be wide. However, people want more certainty than that. They require guidance and defined options. They want to know specifically what matters Council would or would not consider when assessing a particular application, even wanting defined whether affected party approvals or notification may be considered. With that guidance, resultant complexity and thus "difficulty in understanding" occurs.

### **Ensuring adequate land supply**

53. Ensuring adequate supply of land for residential and non-residential use is one of the Porirua City District Plan priorities. To help guide the city with planning its future urban growth area, Porirua City has prepared a Porirua Development Framework plan which is intended to influence future changes to the District Plan and assure that an adequate and appropriate supply of land is zoned for future urban development.

54. In terms of process associated with existing District Plans, and planning processes, changing Resource Management Act assessment matters and weighting in Part II, or removing or modifying appeal processes, or codifying assessment matters, will inevitably result in consequential outcomes that may not be anticipated by the potential amendments.

### **Resource Consent process; and complexity**

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

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

*Q32 What are the impacts of notification on the supply of development capacity? How could the processes surrounding notification be improved?*

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

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

55. Resource consent processing times are not unreasonable. For example, in Porirua city the 2010/11 MfE RMA b-annual survey identifies that 99% of resource consents were processed in time, and 3% needed s.37 (Extensions of time). In the 2012/2013 survey, 100% of consents were processed in time. The matter that most affects how long it takes to process an application is the quality of the application, followed by the complexity of the application. If a good quality application is lodged, where the applicant has appropriately covered the matters that need to be assessed as part of their application, then there are few issues with processing times. Even if there is a need for a s.92 Further Information request, in most cases it is likely to be relatively minor and specialist in nature.
56. For example, Porirua city has had experience with a local surveyor who lodged most subdivision applications with all earthworks information missing. The Council then requested the information. The surveyor would then advise their client that "Council wants this information, and it is going to cost this much to get it. " His initial quote for the work excluded the required information/report, so his quote would be lower than other surveyors who would include provisions for providing a full application. As a result of this Porirua City Council received complaints and feedback from clients of that surveyor blaming Council processes for adding unplanned costs to their development.
57. It is also not uncommon for applications to be received that contain inaccurate information. For example, plans with incorrectly located features and structures. To resolve any inaccuracies the Council is in the position of having to request a formal s.92.
58. Variations relating to s.92 requests around the country, can result from a myriad of matters including but not limited to how much pre-application meetings have been used, and who is making the application (e.g. an unqualified applicant or an experienced Environmental Consultancy firm employing planners and surveyors and engineers etc.).

### **Impact of notification processes**

59. The notification process does not have to have an effect on the supply of development capacity at all. Few applications are declined whether notified or non-notified, so what is really being questioned is the time it takes to process a notified application.

60. Typical land development practices see subdivision applications lodged at the last possible moment, assisting developers to minimise carrying costs associated with preparation of the application ; and to take advantage of favourable development conditions (e.g. Earthworks season); and the state of the property market. While a developer may be “ready to go”, the reality is the consent process does take time, and any time that it does take, no matter how short, is often viewed as being unreasonably long. To smooth the process, if application notification is anticipated, applicants should lodge the application as a notified application up front which means Council does not have to prepare a notification determination report. Having an accurate and complete application also smooths the notification process. Where plans are replaced 6-7 times by the applicant during an assessment process, this does not speed up the consent process, and can actually severely impact the timeliness of the consent process.

### **Improving the notification process**

61. There are not a lot of changes that could be made to the notification process, without creating potential breaches in natural justice. Minor tweaks could be made to matters such as how notices are served etc... or in the complexity of matters to be considered in the officer’s report. However, serious thoughts need to be given to potential consequences of documentation for Environment Court or appeals, if amendments to reporting requirements are made. .

### **Pre-hearing meetings**

62. The reduction in the use of pre-hearing meetings relates mostly to the process now defined by the RMA, as a result of the latest round of amendments. The increased formal reporting requirements of those meetings means unless it is thought that significant gains can be achieved from pre-hearing meetings, more efficient use of time can be spent on preparing for the hearing.

### **Consent conditions and their impact on development viability**

63. The law dictates that a fundamental requirement of resource consent conditions is that they cannot be drafted in such a way as to interfere in an applicant’s ability to give effect to their consent. Matters such as development contributions, or earthwork management requirements, or standards for infrastructure are already known (in Codes of Practice) and are standard conditions, so can be factored into costing for a development. For complex applications and subdivisions, draft conditions are typically pre-circulated to the applicant for comment and discussion prior to a decision being issued.

64. We believe that with an appropriate combination of pre-application meetings, pre-application review of Council standards and codes, developers should generally be aware of the likely viability of their development including likely conditions that it would be subject to.

### **Effects on ability to apply for Plan Variations or Plan Development, on land release and development**

*Q41. Compared to other processes of relevance to land release and development, how important is the ability to obtain a Plan change or variation? Why?*

65. Councils who have strategically assessed their land development needs through long term strategic development plans, such as Porirua City Council, should already have provisions in place through Long Term Plans and their Asset Management Strategy to ensure land capacity for development is available when needed. They will have made decisions on the best areas for development based on both local and regional needs, and locational influencing parameters such as latest information on natural hazards, or infrastructure supply and capacity etc.
66. Except for the few high growth districts, Councils such as Porirua city have already spent some time strategising the most efficient form of land development, and future housing capacity in their area; and planning for how to give effect to those aspirational outcomes for their city. They then follow through with public plan changes to facilitate desires change, when conditions are best suited.
67. However, it is accepted that Councils cannot always anticipate market needs and trends, and in some instances the ability to seek a private plan change is very important to enabling some development to proceed. Porirua city typically employs external planners to assess and process such requests to ensure these occur in a timely manner.

#### **Aggregation of land**

*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?*

68. Aggregation of land is very important not only for housing development projects, but also for commercial revitalisation of an area. If land is in multiple private ownership it can be hard to get agreement on " what to develop", "how to do it", "how to fund it", legal liabilities etc.

#### **Housing accords.**

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

69. It is uncertain whether a Housing Accord would have an impact on affordable housing in Porirua city. If the housing accord area is in-line with the independently ascertained "best growth areas" and providing there are no shortcuts in quality of building or infrastructure and mechanisms are in place to assist with infrastructure costs, we see some benefit in housing development being actively facilitated through those provisions.
70. However, we consider the number of houses quotient is a false construct. Sites available for building, or land zoned for re-development or development may be more useful parameters.
71. The question of how affordable housing needs are identified, including the multitude of factors that makes housing and land development affordable and unaffordable, and the location of housing accord areas, needs to be much more carefully thought out than has happened to date. For example, in Wellington, the identification of the need for affordable housing, and location of housing accord areas was done at a local authority level (being just Wellington city). For

Wellington the analysis of such a matter needs to be done at a regional level, as the surrounding districts all function as dormitory areas for Wellington city. Infrastructure, including transport and servicing needs to be done at a Regional Level. For example, the sewerage disposal system for the greenfield housing accord area in Wellington city is serviced through the Porirua city sewage system. The capacity of that system and the timing, costing and management of the expansion of that system necessary to service the new growth areas should have been canvassed with Porirua City Council as part of the identification of the area under the Housing Accord.

72. In addition, although the accord requires land to be available for development, there is nothing to ensure that development occurs within the time frame. Without government being the developer, no matter what land is made available for development, land developers may “hold onto” the land until a time when the market is most favourable for them.

