

31 July 2015

Steven Bailey
Inquiry Director
Using Land for Housing Inquiry
New Zealand Productivity Commission
PO Box 8036
The Terrace
WELLINGTON 6143

Dear Steven

**USING LAND FOR HOUSING – DRAFT REPORT JUNE 2015:
PALMERSTON NORTH CITY COUNCIL SUBMISSION**

Thank you for the opportunity to lodge a submission on the Using land for housing draft report dated June 2015.

The following comments are based primarily on the useful “Cut to the chase” summary produced to support the report. Palmerston North City Council (PNCC) planning staff also attended a presentation on the report by the New Zealand Productivity Commission at Massey University on 15 July 2015.

I would like to draw to your attention to paragraph 19 of the submission where PNCC indicates it would be willing to partner with Government to explore potential opportunities to use public land in Palmerston North for housing. There are a large number of public organisations located in Palmerston North.

Due to Councillors taking a break in July, this submission has been prepared at the officer level.

Palmerston North City Context

1. The recently adopted PNCC Long Term Plan projects that the City will require land for an average of 300 new households per year over the next 20 years. PNCC has projected an increase in the preference for smaller more affordable infill or medium density housing and a reduced preference for greenfield housing.
2. As part of the Sectional District Plan Review PNCC recently approved the Whakarongo Residential Area, a greenfield residential area capable of accommodating approximately 700-900 new homes. The Whakarongo Residential Area, together with the existing residential land-bank within the City, provides approximately 15 years land supply based on current household projections and preferences.
3. Importantly PNCC has allocated network infrastructure programmes within its Asset Management Plans and Long Term Plan to support residential development within the Whakarongo Residential Area.
4. PNCC does not have the financial capacity at this time to provide network infrastructure in other locations to support integrated greenfield residential development. While providing funding for network infrastructure to support growth is a high priority for PNCC, it does have to balance further financial commitment to support growth with other important commitments such as potential improvements to its wastewater treatment plant and infrastructure renewals.

5. PNCC recently wrote to all major landowners, developers and government departments within the City asking if they have any landholdings within the existing urban footprint of the City which they consider may be suitable residential development. PNCC was willing to work proactively with landowners to remove any barriers to such development, e.g. resolve any zoning issues. PNCC received no replies.
6. Palmerston North City currently has three major greenfield residential developers, one of which is also completing a large number of infill developments. No major developers currently own land within the Whakarongo Residential Area. The Council owns a portion of the area and is yet to seriously consider its options regarding this land.
7. Key developers have advised the Council that it is not in their best interests to release sections to fast as it will soften the market.
8. As part of the Sectional District Plan Review PNCC has proposed to provide for "minor or second dwellings" as a permitted activity on a site with an existing dwelling without the need for subdivision and separate services. The intention is to meet the growing demand for small affordable accommodation which is not typically being met by the development sector. It is anticipated that it may also provide an income supplement to first home buyers assisting with overall housing affordability.
9. PNCC is also looking at incentivising well-designed medium density residential development via the use of the restricted discretionary activity status together with a non-notification clause. To date medium density development within the City has not been well supported by the local development community. PNCC believe that poor design and poor site selection for existing medium density developments has contributed to this problem. The proposed approach is that provided the development goes through a design review process it will not require the written approval of neighbours. The feedback we have received from the development community is that they would prefer to have conversation with PNCC regarding design as opposed to going to their neighbours for sign off on a particular medium density development.

The Inquiry

10. While it is no doubt dictated by the brief, there appears to be little recognition of the impact the actions of the private sector, overseas investment, property investment and the availability of finance has had on affordable housing. Until recently these are issues the Government did not appear interested in investigating to the same level as the issues regarding land supply.

The need for more land and more opportunities to develop housing

11. PNCC agree the housing affordability issue is exemplified in Auckland. It is important the potential solutions for Auckland are not identified as the most appropriate solutions for the rest of New Zealand, particularly areas such as Palmerston North where housing affordability issues are not as pronounced as the major metropolitan cities.
12. As a general comment the traditional forms of greenfield residential development occurring within New Zealand and the reluctance of communities to accept urban intensification appears to be contributing towards housing affordability issues, particularly in Auckland. These issues are not easily resolved. As cities grow the traditional forms of residential development that have occurred in New Zealand and the housing expectations of citizens will need to change. Greenfield residential development is expensive as it requires new network infrastructure. Urban limits are a common planning tool in many large successful international cities. Not only is

greenfield residential development expensive, compared to many international cities the public transport and general amenities available in many new greenfield areas in New Zealand is poor. This heightens the demand for residential areas close to existing facilities and employment where intensification is resisted. Combine all of this with a general desire for traditional forms of housing and the result is both unaffordable and unsustainable.

The importance of cities

13. PNCC support the comments made regarding the importance of cities and the access they provide to a wide range of jobs, amenities, and specialised health and education services. Many people are moving or commuting to Palmerston North from the wider region for these reasons.

Local and national interests are not always aligned

14. PNCC disagree with the statement that local residents may prefer to see cities grow at a slower rate than would be ideal from the nation's perspective because they are concerned about the costs of growth. PNCC also disagree with the statement that home owners have a disproportionate influence in local council processes, including elections and consultation. The citizens of Palmerston North, as represented through PNCC, have not expressed dissatisfaction about growth in general but they are concerned about the way in which the City grows and ensuring citizens are not unnecessarily subsidising growth. The role of local government is to represent the views of the citizens from which they collect local taxes (rates). The report seems to imply that land supply and affordable housing is more important than local democracy.

The planning system could work better

15. The report is an overly simplistic description of the challenges and potential solutions of planning for growth. The reality is regardless of the planning process that is used decisions regarding the location of future housing development are complex and will continue to be complex. This was well demonstrated recently when the Minister of Housing / Minister for the Environment attempted to quickly identify land for future housing development in Auckland. The locations identified by the Minister had significant development constraints which needed to be worked through via the appropriate planning processes.
16. The identification and zoning of land for housing development results in a transfer of wealth to landowners as it represents a commitment to provide public services and infrastructure to the land. It can also result in significant effects on the environment and other landowners. The Government has also signalled a desire to increase the scrutiny placed on natural hazards given the significant on-going risk in New Zealand. All of these matters make the process incredibly complex. A number of mechanisms flagged in the report such as spatial plans are already being used successfully to achieve positive outcomes for communities.

Public land could be used more effectively

17. PNCC agree that public land could be used more effectively and this could have a number of significant benefits for cities. Development of public land within existing urban boundaries may be able to better utilise existing infrastructure and aid with the revitalisation of communities. Public land is also more likely to be held in large land holdings which are more easily developed than aggregating private land. Despite this PNCC submit that it should not be assumed that network infrastructure has the capacity to absorb further intensification within existing urban boundaries. Public land could also include council owned land such as reserves. PNCC recently participated in some useful research with the Ministry for the Environment regarding the relationship

of the RMA and Reserves Act processes which can have an effect on the ability to use local reserves for alternative purposes. While the use of reserves for housing is an option at the local level it is important local communities are able to engage in a process to determine the best use of reserves as once they are developed they are lost forever.

18. As noted at paragraph 5, PNCC recently wrote to all major landowners, developers and government departments within the City asking if they have any landholdings which they consider may be suitable residential development within the existing urban footprint of the City. PNCC was willing to work proactively with landowners to remove any barriers to such development, e.g. resolve any zoning issues. PNCC received no replies to this offer.
19. PNCC would be willing to partner with Government to explore potential opportunities to use public land in Palmerston North for housing. There are a large number of public organisations located in Palmerston North.

Land regulations need to better match costs with benefits

20. Many first generation RMA plans were very permissive. What this means is the development envelope is quite tight as permitted activities can occur as of right and non-compliance typically requires neighbours approval. Non-notified resource consents should not be seen as a cost when they can potentially increase the permitted development envelope. In the past too much emphasis has been placed on ensuring a permissive regime to reduce costs as opposed to requiring good design to enable further intensification to occur.
21. As noted at paragraph 9, PNCC is also looking at incentivising well-designed medium density residential development via the use of the restricted discretionary activity status together with a non-notification clause.

The cost and risks of providing infrastructure are a constraint to growth

22. PNCC agree with the summary that the costs and risk of providing infrastructure are a constraint to growth. What the report doesn't recognise is that councils are weighing up those costs and risks all with a significant amount of other costs and risks such as the need to fund infrastructure renewals and upgrade wastewater treatment systems. Providing infrastructure for growth is but one pressure on local government finances. It is not necessarily more important than the other pressures on local government finances.

There is scope to make better use of existing infrastructure assets

23. PNCC submit that without specific investigations it should not be assumed that network infrastructure has the capacity to absorb further intensification within existing urban boundaries.

Councils could make more use of existing tools to fund new assets

24. As noted above, decisions regarding debt and council finances need to take into account all the costs and risks faced by local communities as opposed to simply focusing on the ability to increase debt to support greater land supply and affordable housing. The Productivity Commission needs to recognise and appreciate that significant public and Government scrutiny has been placed on local government debt and rates increases.
25. PNCC agree user charges are an option moving forward but caution the use of user charges together with the potential privatisation of public assets such as water.

26. PNCC note the Department of Internal Affairs recently completed a significant review of development contributions. The review concluded development contributions are a useful mechanism for funding growth and are economically efficient as the infrastructure capacity for growth needs to be made available at the time development takes place. If local government is required to fund infrastructure in advance of growth then development should be prepared to pay for the cost of that infrastructure at the time development takes place.

Infrastructure providers should be aligned with Council growth plans

27. PNCC strongly disagree that separate infrastructure entities can provide more transparency, particularly if this is combined with user charges. The LGA and Long Term Plan processes clearly show the funding sources for council expenditure. Developers considering investing in Palmerston North have cited a lack of transparency regarding the user charges of some Auckland CCOs.

Developable land is widely held

28. PNCC submit that this summary completely ignores the financial and physical constraints associated with planning growth. Integrated urban development requires councils to put in place urban limits and zoning as without such mechanisms there is an inability to logically plan and fund supporting services and infrastructure. Development within the land identified for growth is then left to the market which does what the market does best which is to make decisions about how to maximise returns. Housing is one of the few critical social needs provided almost entirely by the private sector, albeit within the broad planning framework established by local government.

Overcoming barriers to growth

29. PNCC submit that if the growth of cities is of national interest and has benefits for the whole country Government should be prepared to fund the infrastructure necessary to support further land supply and growth within cities. PNCC acknowledges that greater land supply and housing choice is a good thing but it comes at a cost. At present local government covers that cost and is therefore best placed to make decisions regarding growth at the local level.

If you have any questions or require further clarification please contact David Murphy, City Planning Manager.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Paddy Clifford', with a long horizontal flourish extending to the right.

Paddy Clifford
CHIEF EXECUTIVE