



22 December 2014

Steven Bailey
Inquiry into using land for housing
New Zealand Productivity Commission
PO Box 8036
The Terrace
WELLINGTON 6143

By email: steven.bailey@productivity.govt.nz

Dear Steven

NZPIF SUBMISSION ON RESPONSE TO INQUIRY INTO USING LAND FOR HOUSING

Please find attached the New Zealand Property Investors' Federation submission to the Productivity Commission's Inquiry into using land for housing.

Yours sincerely

A handwritten signature in blue ink that reads "Andrew King". The signature is fluid and cursive.

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Submission for the Inquiry into using land for housing

**Prepared for the Productivity Commission
by the New Zealand Property Investors Federation**

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Overview

The NZPIF in general supports initiatives that will make it easier, faster and less costly to develop land for housing plus changes to rules that allow better and more flexible use of existing land to provide for changing population demographics.

The NZPIF primarily represents rental property providers in New Zealand and not property developers who build new homes. However we are concerned that the Resource Management Act and the interpretation of the Act by Local Authorities adds unnecessary risk and costs to the development process, and as such directly adds to the price of new homes for both owner occupiers and rental property providers alike.

We also believe that the manner in which some local authorities charge developers for infrastructure and resource costs puts too high a proportion of these cost on developers, increasing the cost of new housing and affecting affordability. We believe there is a case for looking at apportioning some of the cost of development contributions over all existing rate payers

The NZPIF believes that rental property providers would be better able to meet tenant demand for rental accommodation if rules were changed to allow more infill housing on existing residential land and the ability to change the use of existing properties.

Resource Management Act

While the NZPIF does not represent developers or have extensive knowledge of the Resource Management Act (RMA) we generally support initiatives that would speed up the RMA process and reduce the time it takes for developers to undertake new housing projects.

Extra costs in building new homes make it difficult to increase the supply of rental property and lead to increased rental prices.

We understand that aspects of the RMA and how it is interpreted by Local Authorities can add considerable uncertainty to the time it takes to get RMA approval. This adds risk to the developer and can either put them off undertaking new developments, which limits supply, or add to their required margins to cover the increased risk of extra costs, which directly adds to the cost of new buildings.

In general, we would support initiatives that would better clarify and speed up the RMA process to reduce the time period and risk for developers and make it easier for them to respond to changing market conditions.

Development Contributions (DC's)

Studies have shown that the housing requirements in New Zealand are changing and that the number of household occupants per dwelling is getting smaller. To address this, New Zealand needs to build smaller dwellings on smaller sections.

The size of Development Contributions (DC's) requirements in some areas of New Zealand, do not encourage development of smaller dwellings. Excessive DC's increase the cost of sections and encourage developers to build larger rather than smaller homes.

The requirement for developers to front fund the cost of DC's further hinders development with a number of blocks of Council serviced development land which remain undeveloped because developers are either unable or unwilling to meet the upfront cost of DC's until there is sufficient certainty in the market that their project will be sold. Look at deferring payment of DC's

The practice by developers of holding land approved by Council for subdivision and engaging in a stage managed minimal release of sections to create an artificial scarcity to increase prices. In many areas there is land available for building only developers won't release it. Possibly look at enforcing a time frame for land approved by Council for subdivision onto the market.

Some Council owned companies, such as Watercare in Auckland, add to the problem by having excessive connection fees for new housing. The cost of connecting water to a new home has recently been increased to \$12,000 by Auckland's Watercare. This cost does not appear to be related to the actual cost of connecting water to a new dwelling, suggesting that new homes are paying a greater share of infrastructure improvement costs compared to existing ratepayers.

While infrastructure improvement costs need to be met, Local Authorities appear to prefer higher development contributions to increasing rates for existing rate payers. As a portion of these DC's also help fund city wide facilities such as reserves, community infrastructure and transport from which all ratepayers benefit, this should be spread across all ratepayers thereby helping reduce the cost of new homes.

An independent investigation needs to be undertaken to examine the fairness of DC's and the extent to which they reduce developers ability to respond to changing housing needs and add to housing un-affordability.

Disincentives to infill housing

As a city grows, the land around the centre generally becomes more desirable and expensive. Combined with reducing household sizes, expensive land can be better utilised by increasing the number of dwellings allowed on the section.

Minor dwellings are buildings generally under 65sqm that allow excess land around some houses to be better utilised without the expense of subdividing. By using existing land, minor dwellings provide affordable accommodation and increase the supply of one and two bedroom accommodation which will become increasingly required as our population ages.

Unfortunately many local authorities either don't allow the construction of minor dwellings or the imposition of development charges and utility connections make them uneconomic to build.

The use of land could also be improved by making it easier for existing houses to be converted into separate dwellings. This would allow existing properties to be better used to match changing population requirements for accommodation in a cost effective manner.

Rules should be more flexible to allow more infill housing on existing residential land and the ability to change the use of existing properties to provide additional accommodation units. This flexibility would better reflect the evidence that higher density development places less demand on Council infrastructure, and would encourage intensification. This low level intensification also aligns with most Councils' long term growth plans, around utilising existing Brownfield sites as opposed to new Greenfield developments.