



22 December 2014

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

Dear Sir / Madam,

Re : Submission on New Zealand Productivity Commission Inquiry into Using Land for Housing

Please see below and attached our submission on the Productivity Commission Inquiry into Using Land for Housing

Background & Context

Bluehaven Holdings Limited ('Bluehaven') are a Property Development Company based in Papamoa within the Tauranga City Council area.

Bluehaven have been carrying out residential development in the Papamoa area since the mid 1990's and are one of the largest residential land developers in the Bay of Plenty, developing approximately 1,000 sections over the last 20 years.

The Bluehaven Golden Sands Development in the Wairakei Urban Growth Area at Papamoa is underpinned by the Western Bay of Plenty SmartGrowth Strategy which identifies Wairakei and the wider Papamoa East area as a key growth area for the Western Bay of Plenty Sub-region over the next 20+ years.

Within the 368ha Wairakei Urban Growth Area Bluehaven's current land interests are approximately 100ha (see attached map reference 20076-LH1), which over the next 5 years will yield between 1,200 – 1,400 residential sections.

Since Bluehaven commenced the Golden Sands development in 2012, land to accommodate 553 dwelling units has been developed and on-sold to builders/home buyers. A further 173 sections will be developed over the next 12 months.

In this regard Bluehaven are well placed to respond to and comment on the issues paper and associated questions.

Our Submission

Our detailed submission is attached.

Please forward all correspondence regarding this submission to:

Bluehaven Holdings Limited
PO Box 11057
PAPAMOA 3151

Attention: Bill Miller

Ph: 07 542 0815

Email: bill@bhml.co.nz

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Bill Miller', with a long, sweeping horizontal stroke extending to the right.

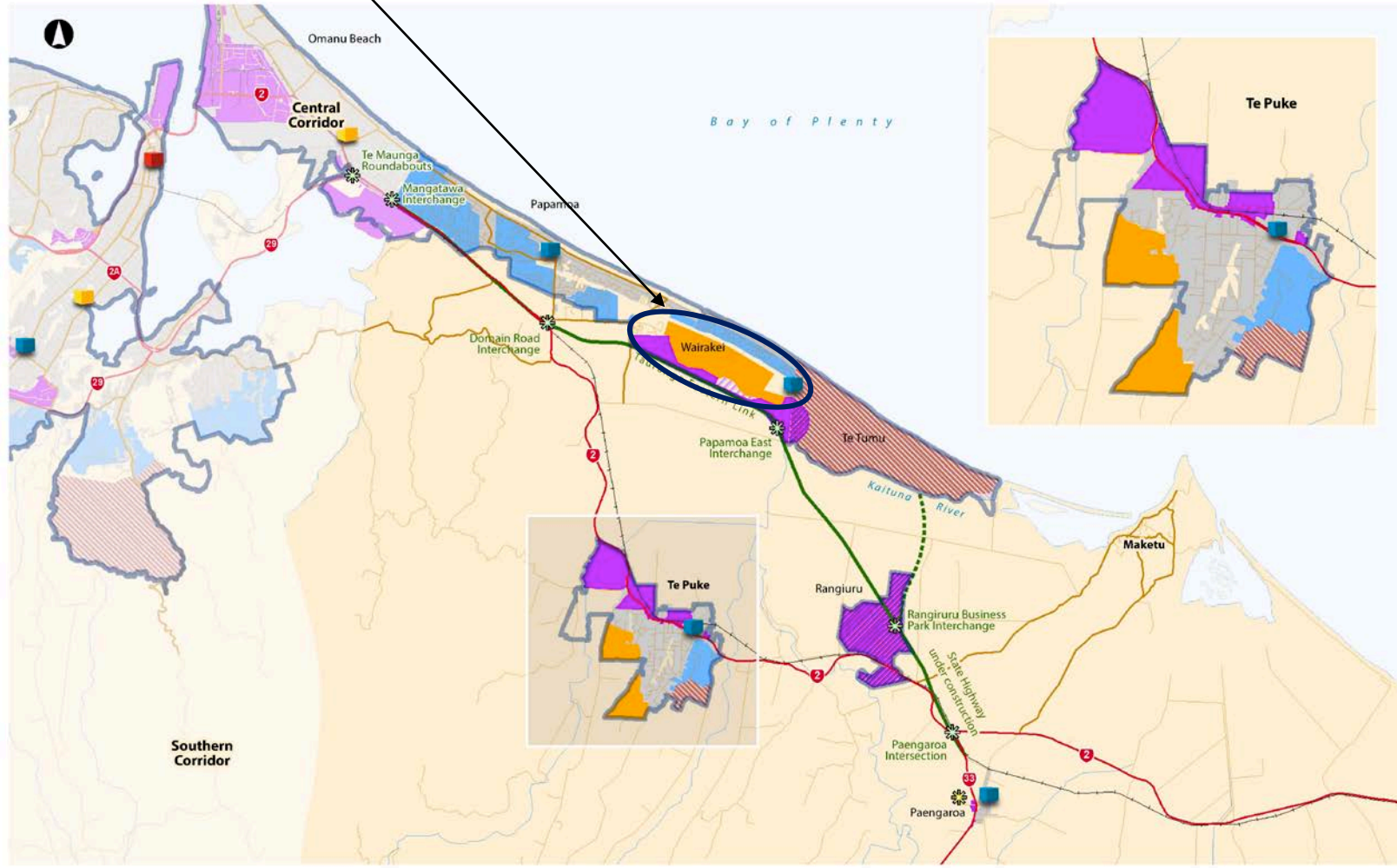
Bill Miller

Bluehaven Holdings Limited

Encl

Bluehaven Holdings Limited Submission: Productivity Commission Inquiry Using Land for Housing

Wairakei Urban Growth Area



- | | | | |
|---|--|---|--|
| <p>Commercial Centres</p> <ul style="list-style-type: none"> ■ City Centre ■ Sub-Regional Centre ■ Town Centre | <p>Industrial Land</p> <ul style="list-style-type: none"> ■ Current Industrial ■ Identified Future Industrial | <p>Residential Land</p> <ul style="list-style-type: none"> ■ Generation 1 ■ Generation 2 ■ Generation 3 ■ Generation 4 - Identified Urban Growth Areas Land not currently identified in Settlement Pattern, but subject to Strategic Investigation as per Action 20.B.1 | <ul style="list-style-type: none"> Sub-regional Urban Limits — State Highway — Road (Arterial and Local) — River — Future Interchange — Proposed/designated Future Road — Possible/Not designated Future Road — East Coast Main Trunk Railway |
|---|--|---|--|

Map 6
Eastern Corridor

Bluehaven Holdings Ltd Submission on Productivity Commission Inquiry into ‘Using Land For Housing’

Question 1
<i>Is it helpful to think of the planning and development system as a means of dealing with externalities associated with land use and coordination problems? What other factors should the Commission consider in evaluating the role of the planning and development system?</i>
Bluehaven Submission
<p>In answering this question it is firstly important to consider the context of what the purpose of the planning and development system is. This is touched in in the Issues Paper with a focus on providing a regulatory framework which while being very important only focusses on externalities from an adverse effects basis; missing in this discussion are how the planning and investment is increasingly being used to provide a strategic vision and direction for communities this however is very difficult to ‘fit into’ a regulatory framework which is becoming increasingly complex and ‘layered’ in attempting to over predict every conceivable effect.</p> <p>As has been done with the recent amendments to the Local Government Act, requiring 30 year infrastructure plans, the planning and development system needs to incorporate a strategic vision and direction as appropriate on a local, sub-regional, regional and national level in order to provide an investment direction for communities, sub-regions and regions.</p> <p>This however requires a co-ordinated approach by Local, Regional and the National Governments to ensure there is regulatory and non-regulatory alignment and coordination to avoiding conflicting, time consuming and costly processes.</p> <p>Importantly there also needs to be an approach that provides flexibility with regard being able to change relatively quickly to move with markets</p>
Question 2
<i>Can the current land planning and development system be made to work better to benefit cities throughout New Zealand? Is a different type of planning system required to meet the needs for housing in New Zealand’s fastest growing cities?</i>
Bluehaven Submission
<p>Yes the current planning and development system can be made better. However it will require:</p> <ol style="list-style-type: none">1. Structural change to the status quo,2. Regulatory alignment to enable coordination and alignment of both land use and infrastructure, and3. An acknowledgement that providing for the housing needs of our current and future generations is a national priority and a key cornerstone in creating and sustaining strong cities and communities. <p>However, in our opinion, tinkering with the current system will not achieve the changes required.</p>

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Question 3
<i>What criteria should the Commission consider in evaluating the current land planning and development system in New Zealand?</i>
Bluehaven Submission
<p>The criteria, or investigation areas, that should be considered include:</p> <ul style="list-style-type: none">• The need for a strategic approach and alignment of the land planning and development system from a national level down to a local community level.• Establishing a better balance between the need for housing and for strong urban communities and the externalities that are adverse effects based.• Regulatory complexity and duplication. A myriad of National Policy Statements, Regional Policies and Plan and Local Plans, Policies and Regulations creates significant confusion, in-efficiencies and costs, particularly when regulatory change occurs out of sequence as has been the case in the Bay of Plenty.• A focus on coordinating and aligning the provision of land for urban uses with the planning, financing and delivery of appropriate infrastructure.
Question 4
<i>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?</i>
Bluehaven Submission
<p>In our opinion achieving ‘a significantly increased supply in development capacity’ will require the changes as outlined in our submissions on Questions 2 and 3 above. This will go a considerable way to increasing the ‘supply of affordable housing’, however other interventions in the form of investment signals by Government will be required to increase the supply of affordable housing. This could be in the form of a GST rebate (in part or full) on the development and sale of housing within a specified floor area and / or price point depending on location.</p>
Question 5
<i>What data sources will be most useful in identifying effective local authority planning processes for the development of land for housing?</i>
Bluehaven Submission
<ul style="list-style-type: none">• Resource Consent and Building Consent processing times.• Code of Compliance Certificate issue timeframes.• Plan Change timeframes.• Land and Housing Supply statistics.

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Question 6
<i>Are there other local authorities exhibiting good policies or practices in making land available for housing that the Commission should investigate?</i>
Bluehaven Submission
Tauranga City Council through the Western Bay of Plenty SmartGrowth Strategy is doing a good job in making land available for housing within the constraints identified above in our submissions on Questions 2 and 3.
Question 7
<i>What policies and practices from other countries offer useful lessons for improving the supply of effective land or development capacity for housing in New Zealand?</i>
Bluehaven Submission
Community Development Districts / Areas are successfully used in other countries to provide an integrated and coordinated approach to developing or re-developing areas that have been identified as being strategically and economically important. These can be in the form of: <ol style="list-style-type: none">1. Public – Private Partnerships.2. Government (National, Regional and Local) and Community Partnerships.3. Development Agencies / Development or Re-development Authorities.
Question 8
<i>Alongside the Resource Management, Local Government and Land Transport Management Acts, are there other statutes that play a significant role in New Zealand’s planning and development system?</i>
Bluehaven Submission
<ul style="list-style-type: none">• The Building Act 2004; and how the Building Act inter-relates to other planning acts. The Earthquake Prone Building amendments are one example of how this Act impacts the planning and development system.• The Heritage New Zealand Pouhere Taonga Act 2014; particularly with regard to the protection of archaeology.• Resource Management (National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health) Regulations 2011; this provides for the assessment, testing and management of potentially contaminated land at the time of land use change.• Reserves Management Act 1977

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Question 9
<i>How easy is it to understand the objectives and requirements of local authority plans? What improves the intelligibility of plans?</i>
Bluehaven Submission
<p>This varies between Plans. A clear statement of Purpose for a Zone together with concise Objectives, Policies and Rules improves the intelligibility of plans.</p>
Question 10
<i>Is ensuring an adequate land supply for housing an objective of current District or Unitary Plans? If so, what priority is this objective given?</i>
Bluehaven Submission
<p>Through the Western Bay of Plenty SmartGrowth Strategy the Bay of Plenty Regional Policy Statement (RPS) provides for Growth Management Areas in the Western Bay of Plenty, while the Tauranga City Plan has identified a Future Urban Zone at Papamoa East which aligns with the RPS Growth Management Areas.</p> <p>These acknowledgements do not however in themselves ensure the provision of an adequate supply of land is provided as the areas still need to go through an onerous, long and very costly process to re-zone the land. In addition to this the land supply can only be made available should there be adequate infrastructure planned, financed and delivered.</p>
Question 11
<i>What steps do local authorities take to ensure that all people potentially affected by land use Plan provisions or changes have the opportunity to comment? How effective and efficient are these steps?</i>
Bluehaven Submission
<p>Generally local authorities take a very conservative approach to this by widely notifying plan provisions and plan changes. This is appropriate depending on the scale of the changes to plan provisions and the scale of plan changes.</p> <p>Notwithstanding this there is a tendency to over-consult on small scale changes and adjustments to Plan Changes following their primary approval. This creates significant delays and inefficiencies during the time critical delivery phases of a development. This has occurred to Bluehaven recently on two separate occasions.</p>

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Question 12
<i>What steps do local authorities take to understand and incorporate the views of people who are potentially affected by Plan provisions or changes, but who do not formally engage in the Plan process?</i>
Bluehaven Submission
During the recent development of the Tauranga City Plan, Tauranga City Council issued regular updates on the process and changes / direction being considered and also had an ‘on-line’ forum.
Question 13
<i>How can the Plan development process be improved to increase the supply of development capacity?</i>
Bluehaven Submission
Plan development processes should consider: <ul style="list-style-type: none">• Strategic alignment with regard to locality, infrastructure servicing and sub-regional and regional economic integration;• Population and demographic forecasts;• Land use suitability;• Land tenure;• Land fragmentation;• Economic Viability;• Ability to plan for, finance and deliver core network infrastructure.
Question 14
<i>How accurate are local authority assessments of the demand for and supply of land? How well do they reflect market demands and the actual development capacity of land? Are there any good examples of supply and demand forecasts?</i>
Bluehaven Submission
Land supply forecasts are influenced by a large number of externalities and can be very variable; in this context it is difficult for local authorities to accurately monitor land supply in dynamic market conditions, such as currently exist. Tauranga City Council do a good job with their land supply and housing forecasts, however their forecasts can be up to 6 months behind in picking up market supply and demand changes.

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Question 15
<i>How well do zoning decisions in District Plans and infrastructure planning in Long-Term Plans reflect demand and supply forecasts?</i>
Bluehaven Submission
<p>The dynamic nature of housing demand and supply and the impact of external economic factors and Central Government policy settings combined with the very long time frames associated with zoning decisions and the ability of Councils’ to finance and deliver network infrastructure makes alignment of the provision of zoned land that can be serviced by appropriate infrastructure very difficult.</p> <p>In this regard structural change as promoted in our submissions on Questions 2 and 3 above, is required, together with alternative approaches to finance and deliver appropriate infrastructure.</p>
Question 16
<i>How effective are local authorities in ensuring that the rules and regulations governing land use are necessary and proportionate?</i>
Bluehaven Submission
<p>Rules and Regulations at both a Regional and City / District level have become increasingly prescriptive and restrictive in order to try to anticipate every possible risk and eventuality that may be problematic.</p> <p>This stifles innovation and development and has resulted in increased consenting costs as more and more studies and reports are required.</p>
Question 17
<i>What are the characteristics of the most effective processes for testing proposed rules, Plans or Plan changes?</i>
Bluehaven Submission
<ul style="list-style-type: none">• Refer to our submission on Question 13 above with regard to Plans or Plan Changes.• Testing of proposed rules is often overlooked and should be independently tested before being formally promoted.
Question 18
<i>How effective are local authority processes for connecting decisions across the different planning frameworks? Which particular processes have been successful? What explains their success?</i>
Bluehaven Submission
<p>The Western Bay of Plenty SmartGrowth Strategy has enabled this to occur at a sub-regional strategic level, however the plethora of Regional and City / District Policies, Plans and Regulations remains and often creates a disconnect between regional and sub-regional strategic outcomes sought and the implementation of more detailed provisions at a Regional and City / District level.</p> <p>Another significant issue is the amendment of Policies and Plans out of hierarchical sequence which continues to occur at a significant cost to both the public and private sectors.</p>

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Question 19
<i>What impact does transport planning have on the supply of development capacity?</i>
Bluehaven Submission
Transport planning arguably has the most significant impact on development capacity. Transport planning influences strategic land use planning, economic activity and is the major investment driver for both the public and private sectors alike.
Question 20
<i>Are there examples of effective integration between regional policies and district plans, and what are the features of processes that lead to effective integration?</i>
Bluehaven Submission
Refer to our submission on Question 18 above. This is a significant issue and results in considerable costs, both directly and with respect to time related costs, particularly when the amendment of Policies and Plans occurs out of hierarchical sequence.
Question 21
<i>Do rules or Plan requirements in your area unnecessarily restrict the use of land for housing? Why are these requirements unnecessary? What are the impacts of these rules and requirements?</i>
Bluehaven Submission
Yes they do, generally however within the parameters and requirements of the RMA and associated Resource Management regulatory documents. In this context urban activities, their economic benefits and the provision of housing for our current and future generations lack an equal regulatory status, resulting in high costs to deliver ‘consentable’ land to the market.
Question 22
<i>How important is it that rules for development and land use provide certainty?</i>
Bluehaven Submission
Rules that provide for a reasonable amount of development certainty are vital for development and land use. The tendency to introduce a large number of subjective criteria, particularly with regard to urban design and visual outcomes adds considerably to development risk and discourages development and the outcomes sought by these rules.

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Question 23
<i>Are rules consistently applied in your area? Is certainty of implementation more important than flexibility?</i>
Bluehaven Submission
<p>Yes rules are consistently applied in our area – Tauranga City Council.</p> <p>In addition to this Council is working with the Development Community to address implementation issues with the City Plan and enable as best as possible flexibility.</p> <p>However it needs to be recognised that the RMA and associated processes are not conducive to flexibility as the time to make changes is considerable and costly.</p>
Question 24
<i>Which local authorities have the best approach to implementing land use rules or Plan requirements? What makes their approaches the best?</i>
Bluehaven Submission
<p>Within the constraints of the RMA Tauranga City Council is working with the Development Community to address implementation issues with the City Plan and enable as best as possible flexibility</p>
Question 25
<i>Do second-generation Plans take a more flexible or enabling approach to land use control?</i>
Bluehaven Submission
<p>Unfortunately second generation plans at both a Regional and City / District level have become more prescriptive and directive and in many instances are less enabling.</p> <p>This appears to be driven by a regulatory planning approach focussed on prevention with regard to subdivision, use and development as opposed to a merits based approach. Prevention or establishing high tests and barriers is being applied ‘across the board’ as opposed to special circumstances.</p>
Question 26
<i>What effect do design guidelines have on the availability of effective land for housing? Are the processes by which land use can depart from a design guideline transparent and applied consistently?</i>
Bluehaven Submission
<p>Design guidelines in themselves, do not impact the availability of land for housing. However as previously noted the tendency in second generation plans to incorporate design criteria into City / District Plans has added risk, complexity and costs to housing and has also stifled innovation.</p>

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Question 27
<i>How many developers work in more than one local authority? Do variations in planning rules between councils complicate, delay or add unnecessary cost to the process of developing land for housing?</i>
Bluehaven Submission
Not applicable.
Question 28
<i>Which local authority pre-application advice and information services are the most effective for communicating expectations and reducing unnecessary cost for applicants? What makes them effective?</i>
Bluehaven Submission
Tauranga City Council provides an effective pre-application service. This enables any issues and / or uncertainties to be established early and worked through and addressed in the formal application.
Question 29
<i>Which processes are most important to applicants for providing consistent and efficient assessments of resource consent applications?</i>
Bluehaven Submission
The pre-application service is important and effective.
Question 30
<i>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?</i>
Bluehaven Submission
This is significantly influenced by the complexity of the application. Processing timeframes are helpful but do not in themselves provide the answer. An important requirement for applicants is timely, efficient and effective communication. In this regard web based processing would facilitate communication and a reduction in delays.
Question 31
<i>What explains the variation between jurisdictions regarding requests for additional information and use of stop-the-clock provisions when assessing resource consent applications?</i>
Bluehaven Submission
Not applicable.

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Question 32
<i>What are the impacts of notification on the supply of development capacity? How could the processes surrounding notification be improved?</i>
Bluehaven Submission
<p>Notification is a significant factor and risk on development capacity. This is particularly the case with Plan Changes which depending on their nature and scale, more often than not get ‘tied up’ in a very long and complex process that ends up in the Environment Court.</p> <p>There are also often issues with the default activity status of activities in Plans whereby an RDA application that has one matter of discretion that it doesn’t comply with can default to a full Discretionary Application and often notification of the entire application. This requires addressing so that only the matter of non-compliance is notified on a limited nature.</p> <p>The notification process could be significantly improved by clearly setting out circumstances and requirements for notification together with the individuals, groups and parties that are entitled to participate in the submission process and the basis on which they can participate. The basis of participation is very important to minimise the areas that can be submitted on to those that are directly applicable to the interests of the individual, group or party – not on a wide range of non-related issues.</p>
Question 33
<i>What explains the reduction in the prevalence of pre-hearing meetings?</i>
Bluehaven Submission
We are not aware of this issue.
Question 34
<i>Which local authorities make the best use of pre-hearing meetings? What factors best contribute to successful pre-hearing meetings?</i>
Bluehaven Submission
<p>Tauranga City Council.</p> <p>It is additionally very important that staff that have appropriate seniority, experience and delegated authority attend pre-hearing meetings.</p>
Question 35
<i>Does the type of person making the decision on resource consent applications affect the fairness, efficiency or quality of the outcome? What difference (if any) does it make?</i>
Bluehaven Submission
<p>As with any decision making process the person / people making decisions on resource consents are critical to the fairness, efficiency or quality of the outcome. In this regard the complexity of the RMA processes and Regulatory Policies and Plans, in most instances, requires professional and experienced independent commissioners to hear and decide on resource consent applications.</p>

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Question 36
<i>Does the use of external experts (for example as independent commissioners or contracted staff) in making resource consent decisions create conflicts of interest? If so, how are these conflicts managed?</i>
Bluehaven Submission
These situations can be avoided by a clear conflict of interest policy that is applied in selecting commissioners.
Question 37
<i>What processes do local authorities use for ensuring that consent conditions are fair and reasonable? How successful are local authorities in meeting the “fair and reasonable” test?</i>
Bluehaven Submission
We are not aware of any processes to ensure that conditions are fair and reasonable; however we believe a process needs to be adopted to apply tests to conditions to ensure: <ul style="list-style-type: none"> • Their applicability to a requirement associated with the activity, • They can be practically met, • They do not adversely impact the anticipated outcomes or viability of the development / activity, • They will not result in unreasonable delays to the development / activity.
Question 38
<i>In your experience, what impact do conditions on resource consents have on the viability of development projects?</i>
Bluehaven Submission
Resource Consent conditions can have a significant impact on the viability of development projects, particularly those relating to the provision on infrastructure and environmental mitigation.
Question 39
<i>Which local authorities have been most successful in providing coordinated decisions over applications to use land for housing? What explains their success?</i>
Bluehaven Submission
Refer to our submission on Question 18 above.

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Question 40
<i>Are there issues relating to the process for challenging or changing decisions which impede the supply of effective land for housing?</i>
Bluehaven Submission
Challenging or changing decisions involves getting ‘tied up’ in lengthy and costly RMA process which is also complicated by external party involvement.
Question 41
<i>Compared to other processes of relevance to land release and development, how important is the ability to obtain a Plan change or variation? Why?</i>
Bluehaven Submission
The ability to obtain a Plan Change or Variation is the first and most important process for releasing land for development from both a regulatory and financing perspective. Plan Changes and Variations are extremely long, difficult and costly processes that depending on scale take years and carry significant risk with no financial return until the Plan Change or Variation is adopted. This adds considerably to the costs of releasing ‘consentable’ land and is often out of sync with market drivers and cannot be sustained by landowners who are ‘asset rich but cash poor’.
Question 42
<i>How easy is it to obtain a Plan change or variation in your area? What are the major barriers?</i>
Bluehaven Submission
Very difficult, refer to our submission on Question 41 above.
Question 43
<i>Do council-led Plan changes or variations help or hinder the supply of development capacity?</i>
Bluehaven Submission
Neither, they still need to go through extremely long, difficult and costly processes, refer to our submission on Question 41 above.

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Question 44
<i>What is your experience working with the infrastructure component of the land supply system?</i>
Bluehaven Submission
<p>The timely provision of infrastructure is the most significant issue for Bluehaven in providing for the housing on its land in the Wairakei Urban Growth Area (UGA) at Papamoa East.</p> <p>In this regard Tauranga City Council (TCC) has this year brought forward by 6 years in a number of stages, a key District Arterial Road and infrastructure service corridor in the Wairakei UGA, however there is still concern that the ongoing housing demand in this area may outstrip the delivery of this road and water supply service to Wairakei. This presents considerable risks and uncertainties to us in forward planning our development.</p> <p>The ultimate development capacity of our land is also constrained by the provision of a grade separated interchange to the Tauranga Eastern Link Motorway which is scheduled to open in August 2015. TCC have the funding responsibility for this \$20m+ interchange which is likely not to be scheduled for construction in the upcoming 2015-25 Long Term Plan until towards the end of that period which will constrain the ongoing growth of the Wairakei Urban Growth Area.</p>
Question 45
<i>Are there particular aspects of the system, or particular types of infrastructure, that are problematic?</i>
Bluehaven Submission
<p>Councils’ are constrained in their ability to fund and deliver infrastructure by Local Government Act requirements to raise revenue, cash fund depreciation and consider alternative infrastructure funding and delivery options.</p> <p>Additionally Councils’ are constrained by revenue / debt ratios and their impact on Council credit ratings. Together with political pressure to keep rates and debt levels low a constant tension exists between providing infrastructure for the growth of our cities and communities and meeting the expectations of current communities.</p> <p>In attempting to manage this tension and dynamic Councils’ are looking to defer infrastructure spending and apply a ‘just in time’ approach to infrastructure delivery; this however will not likely meet changing market conditions and demand.</p>

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Question 46
<i>What are the opportunities to improve this part of the land supply system?</i>
Bluehaven Submission
<p>There are considerable opportunities to improve infrastructure delivery, they will however require changed thinking and approaches, legislative changes and Central Government support as the status quo will not deliver infrastructure to house our future communities. These opportunities include:</p> <ul style="list-style-type: none">• Alternative technologies.• Staged infrastructure delivery.• Private Infrastructure provision and ownership.• Regional Infrastructure Banks / Funds.• Public – Private Partnerships. <p>These opportunities were explored at the SmartGrowth / Property Council New Zealand Infrastructure Think Tank (ITT) held in Tauranga on 20 August 2014. Refer to Attachments 1 & 2 for the ITT notes and infrastructure funding option outputs, which provide further detail on the opportunities explored.</p>
Question 47
<i>Is there sufficient alignment of incentives for the various organisations involved in the provision of infrastructure to support housing? If not, what could be done to improve alignment?</i>
Bluehaven Submission
<p>Outside of infrastructure provided by the private sector there is very little incentive, that we are aware of, for Local Government provided infrastructure for the reasons noted in our submission on Question 45 above.</p> <p>In our opinion alignment of infrastructure provision will require regulatory change and some form of Central Government support for the growth Cities and Communities that demonstrate they have a long term growth management (spatial) plan for their area that ensures that infrastructure investment is aligned with national, regional and local strategic objectives, including the provision of housing.</p>

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Question 48
<i>Are there differences in the approaches taken between council controlled and private infrastructure organisations (eg, electricity lines companies)? What is the nature of these differences? What explains the differences?</i>
Bluehaven Submission
The key differences are: <ol style="list-style-type: none">1. Scale of investment and markets. Private infrastructure organisations are able to spread their investments across larger markets and have larger asset bases to leverage off.2. Efficiency. They can spread their operating costs and debt funding cost recovery across a much larger customer base.
Question 49
<i>What comparative information about the provision of infrastructure to support housing should the Commission be aware of?</i>
Bluehaven Submission
We recommend that the Commission look at the water industry deregulation that is occurring in Australia, that allows private sector utility companies such as Flow Systems, (who are majority owned by Brookfield Infrastructure) to compete against the Public sector Water Utility companies; see http://flowsystems.com.au/ .
Question 50
<i>Is there evidence that territorial authority debt levels are acting a barrier to the provision of infrastructure for housing in rapidly growing areas?</i>
Bluehaven Submission
Yes, debt reduction was the primary election platform that the majority of the Tauranga City Council Councillors stood on in the 2013 Local Government elections. Council spending on infrastructure is limited by its debt / revenue ratio in order to maintain its credit rating. Council is constrained in its ability to fund infrastructure and the significant network infrastructure capital expenditure requirements combined with the long infrastructure costs recovery timeframes through Development Contributions have resulted in a ‘just in time’ approach to infrastructure delivery which while providing for prudent debt management reduces the ability for infrastructure delivery to align with changes in market demand. This is the experience in the Wairakei Urban Growth Area at Papamoa East where a key District Arterial Road and service corridor has been brought forward by 6 years in stages, however there is still concern that the ongoing housing demand in this area may outstrip the delivery of this road and the water supply service to Wairakei. This presents considerable risks and uncertainties to us in forward planning our development.

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Question 51
<i>How variable are the practices and processes around infrastructure charges across different jurisdictions? Does variability complicate, delay, or add unnecessary cost to the process of developing land for housing?</i>
Bluehaven Submission
Our understanding is that they vary considerably across different jurisdictions, each which have different development dynamics and challenges to deal with. In this regard a one-size fits all approach would not work; however a consistent methodology and approach is supported and the Local Government Act Amendment Bill 2013 went some way to addressing this.
Question 52
<i>Are there particular examples of good practice regarding infrastructure charges?</i>
Bluehaven Submission
We believe that the Tauranga City Council (TCC) Development Contributions Policy (DCP) is generally following good practice, as it is as clear and transparent as possible with regard to charges that are quite complex and detailed in nature. Our experience with TCC is that they are open to reviewing and improving the DCP based on issues and feedback received by ourselves and others in the local Development Community.
Question 53
<i>Are there particular types of development (eg, greenfields, infill etc) that are less costly to service with infrastructure? What evidence can you provide about any variation in infrastructure costs?</i>
Bluehaven Submission
Greenfield areas are (understandably) significantly more costly to service with infrastructure. Refer to Attachment 3 the TCC ‘Summary of Development Contribution Fees and Key Charges’ for 2014-15. Based on the current subdivision development contribution charges, Bluehaven pays Local Development Infrastructure (LDC) fees of \$343,035.67 per hectare (incl GST) or approximately \$26,400 per dwelling (incl GST) based on an average per hectare yield of 13 dwellings; while infill subdivision development contribution charges in the existing Tauranga infill area are \$3,266 (incl GST) per dwelling or \$0 per dwelling in the Mount Maunganui infill area.

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Question 54
<i>Do development contribution policies incentivise efficient decisions about land use, or do they unduly restrict the supply of land for housing?</i>
Bluehaven Submission
<p>Excessive DC's in certain areas have resulted in development not proceeding. To address this in one area, TCC decided in the West Bethlehem area to reduce the DC's by 30% + to encourage development. This has been successful in getting some development underway in an area that would have otherwise would have sat vacant for a number of years.</p> <p>Notwithstanding the function of DC policies, it is generally not the policies themselves that restrict the supply of land for housing it is the limited ability for Council's to fund and deliver infrastructure together with restrictions on the private sector to finance, deliver, own and operate infrastructure.</p>
Question 55
<i>Are development contributions used exclusively to drive efficient decisions about land use, or are they used to promote broader goals?</i>
Bluehaven Submission
<p>In some instances they were previously used to promote broader goals, however this approach has changed due to both housing market price point and affordability pressure and recent legislative changes.</p>
Question 56
<i>How effective have the recent changes to development contributions been that were introduced in the Local Government Act 2002 Amendment Act 2014?</i>
Bluehaven Submission
<p>It is too early to say, however we believe the changes will promote increased transparency and accountability in setting DC charges.</p>
Question 57
<i>What is the likely effect of long-term infrastructure strategies on the availability of land for housing?</i>
Bluehaven Submission
<p>They will assist in coordinating and aligning medium to long strategic land use decisions, however they will not facilitate the efficient funding and delivery of infrastructure unless some structural changes are made to how Local Government infrastructure is financed and delivered.</p>

Bluehaven Holdings Ltd Submission on Productivity Commission Inquiry into ‘Using Land For Housing’

Question 58
<i>Do councils in high-growth areas require a greater range of approaches for funding infrastructure?</i>
Bluehaven Submission
<p>No, all Councils are restricted in their ability to fund infrastructure by the Local Government Act (LGA) and their limited ability raise revenue.</p> <p>The depreciation requirements of the LGA also place considerable restriction on Councils’ balance sheets.</p>
Question 59
<i>What alternative approaches for funding infrastructure should be considered in New Zealand’s high-growth areas?</i>
Bluehaven Submission
<p>A range of alternative infrastructure funding opportunities were explored at the SmartGrowth / Property Council New Zealand Infrastructure Think Tank (ITT) held in Tauranga on 20 August 2014 – refer to Attachments 1 & 2 for the ITT notes and infrastructure funding option outputs. The options explored included:</p> <ul style="list-style-type: none"> • Obtaining a buy-in from Ratepayers on a Package of Projects. • An Investment Driven Rates Model. • A Regional Infrastructure Bank – Funded through Tax Credits. • A Regional Infrastructure Bank – Funded through Community Wealth. • Private Infrastructure Provision. • Public – Private Partnerships. • Operating Concessions <p>We strongly suggest that the Commission considers and recommends further exploring a range of alternative approaches for funding infrastructure as a finding of this inquiry, as the status quo will not adequately provide for infrastructure to service housing for our future communities.</p>
Question 60
<i>What are the main advantages and disadvantages of having infrastructure vested in Council Controlled Organisations?</i>
Bluehaven Submission
<p>We are not aware of any advantages of having infrastructure vested in a CCO and are not sure such an initiative would assist in the funding and delivery of infrastructure. We understand that this is the case in Auckland.</p>

Bluehaven Holdings Ltd Submission on Productivity Commission Inquiry into ‘Using Land For Housing’

Question 61
<i>Does the use of Council Controlled Organisations create challenges with respect to integrated provision of infrastructure to support housing?</i>
Bluehaven Submission
We are concerned that CCO objectives may not necessarily align with Council objectives in providing for housing and growth particularly with regard to the ability and / or willingness to debt fund infrastructure and impose fair and transparent charges.
Question 62
<i>Has the National Infrastructure Plan helped promote coordination of infrastructure investment? Is there sufficient integration between central and local government infrastructure planning?</i>
Bluehaven Submission
We are not aware of the National Infrastructure Plan assisting the coordination of infrastructure investment in our area. No there is not sufficient integration between central and local government infrastructure planning. Central Government is focussed on providing more land for housing, however without facilitating and assisting with the financing and delivery of infrastructure a key part of the housing delivery equation is missing.
Question 63
<i>What impact does heritage protection have on the supply and development of land for housing?</i>
Bluehaven Submission
Heritage protection, particularly for archaeological sites adds considerable uncertainty and costs to the development of land for housing. This is particularly the case currently where a very conservative approach is being taken with regard to archaeology to compensate for a loss of archaeology in the past. The net result is that areas of land with archaeological values are being set aside with no one prepared to take responsibility for their maintenance, management or use.
Question 64
<i>Are there good examples of local authorities, in areas where there is a housing shortage, working well with landowners who want to build housing for whānau on Māori land?</i>
Bluehaven Submission
The Western Bay of Plenty SmartGrowth Strategy, Joint Agency approach to facilitate Papakainga Development has been very successful in delivering housing for whānau on Māori land.

Bluehaven Holdings Ltd Submission on Productivity Commission Inquiry into ‘Using Land For Housing’

Question 65
<i>To what extent are Plan change requirements, consultation requirements, or the need for infrastructure, barriers to Māori aspirations for building housing for whānau on Māori land?</i>
Bluehaven Submission
The RMA and infrastructure requirements are considerable barriers to Māori aspirations for their lands, as Māori Land Trusts have considerable difficulty funding these requirements.
Question 66
<i>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?</i>
Bluehaven Submission
Land aggregation for housing development is extremely difficult due to the different interests and aspirations of land owners and the time that it takes to get landowners on a similar page. We are not aware of any local authority processes that make this easier. There should be structural changes to facilitate the aggregation of land as currently the regulatory framework does not encourage land aggregation and the challenges noted above with regard to Plan Changes and infrastructure provision discourages this.
Question 67
<i>Is there a need for public agencies that can aggregate land in New Zealand cities? If so, who should establish these agencies? What powers and functions should they have?</i>
Bluehaven Submission
We believe that enabling public agencies to aggregate land would end up being a very contentious and litigious process that would struggle to achieve any effective land aggregation outcome. We would prefer to see structural changes to encourage and facilitate the aggregation of land.

Bluehaven Holdings Ltd Submission on Productivity Commission Inquiry into ‘Using Land For Housing’

Question 68
<i>To what extent do central or local government policies and practices prevent or discourage landowners from selling or developing land for housing?</i>
Bluehaven Submission
RMA and infrastructure requirements discourage landowners from selling or developing their land for housing as the complexities and challenges from a risk / reward perspective only encourage them to sit and wait until demand pressure justifies them selling their land.
Question 69
<i>How much land in New Zealand is being held in anticipation of future price rises? What evidence is there?</i>
Bluehaven Submission
We don't know.
Question 70
<i>Does the setting of rates on the basis of land value or capital value (that is, including the value of improvements) influence the supply of land for housing? What evidence can you supply?</i>
Bluehaven Submission
We don't know.
Question 71
<i>How common is the use of covenants in new housing developments? To what extent are private covenants restricting the supply of development capacity?</i>
Bluehaven Submission
In our experience they are relatively common to protect the value of new subdivisions and housing. We are not aware of covenants restricting the supply of development capacity.
Question 72
<i>What are the advantages and disadvantages of the Housing Accords and Special Housing Areas Act 2013 and of its implementation to date?</i>
Bluehaven Submission
It is too early to say.

Bluehaven Holdings Ltd Submission on Productivity Commission Inquiry into 'Using Land For Housing'

Question 73
<i>Are there wider lessons for New Zealand from the planning and development processes that have been used in greater Christchurch?</i>
Bluehaven Submission
We are not familiar with the planning and development processes that have been used in greater Christchurch.
Question 74
<i>What evidence is there that the Land Use Recovery Plan changes are resulting in more land being made available for housing, or allow land to be developed faster?</i>
Bluehaven Submission
Not applicable.

Attachment 1
Bluehaven Holdings Ltd Submission on Productivity Commission Inquiry into 'Using Land For Housing'



Meeting name	Infrastructure Think Tank
Meeting Date	20th August 2014
Venue	ASB Stadium, Tauranga

Introduction and Problem Definition

Bill Wasley welcomed the attendees to the SmartGrowth & Property Council Infrastructure Think Tank. He outlined the structure of the Think Tank and how the session will run. He also stated that discussions around local government amalgamation are not intended to be the focus of the session.

Bill introduced Justine Brennan, SmartGrowth's Implementation Manager who gave a short presentation on the objectives of the think tank and the problem definition for the western Bay of Plenty sub-region. She began by stating that for the purposes of the session, we have limited the definition of 'infrastructure' to horizontal, core, network infrastructure required to enable growth i.e. 3 waters and roads.

Objectives

1. Identify and agree initiatives to be further progressed at a national and/or regional level
2. Agree on key messages to feed into the Local Government New Zealand working group
3. Engender a collaborative approach

LGNZ recently announced it is putting together a working group to explore funding options and alternatives and review funding mechanisms for appropriateness in a New Zealand context, with a focus is on developing a strategy and model that is sustainable for New Zealand communities in the long term.

One of today's objectives is that the key messages and outputs from think-tank to be picked up by the working group in their consultation paper due in October. The think tank is an opportunity to feed into a national conversation at the formative stage.

All members of the working group were invited to this think tank along with staff from LGNZ who will be leading the project. Justine acknowledged Helen Mexted from LGNZ who has made the trip up from Wellington.

Problem Definition

The proposition that we are here to discuss today is that traditional reliance on debt and development contributions to fund the required level of infrastructure spend may not be sustainable into the future. Under the worst case scenario, the high cost of lead infrastructure projects could result in a situation where interest costs on projected debt exceed the amount of development contributions being collected.

A scan of the background reading material on this topic identifies the following challenges as driving a change in the status quo in terms of how we fund and deliver infrastructure.

1. Changes in population and demographics have a direct impact on pressure (or lack thereof) on infrastructure as well as the size of the rating base available to pay for both new and existing infrastructure.

2. Technology and increasing sophistication in the physical delivery and management of infrastructure has implications on the cost of infrastructure, the way it is delivered and on the management of demand.

3. Community expectations about levels of service, level of provision, public health and environmental outcomes have all risen over time. In some cases, levels of services are higher than necessary to comply with national standards.

4. Ageing infrastructure and the cost of renewing or upgrading assets.

5. The long-term nature of growth related debt which sits on Councils balance sheets and limits the ability to borrow for other non-growth related infrastructure and services.

6. Local Government has volatile revenue streams which can dramatically reduce in times of economic slowdown due to 2-fold impact on both recovery of infrastructure spend through development contributions and reduction in rates revenue as the number of rateable properties also falls below projections.

7. Legislative Amendments have increased Council responsibilities. Amendments to the RMA, Building Act, LTMA, Housing Accords legislation and LGA have all resulted in financial implications of new or tighter regulations assigned to local authorities.

8. Political influence and ratepayer pressure to keep rates and development contributions at modest levels coupled with a 3 year political cycle of local government are challenges to taking a more strategic approach to filling long term funding gaps. Rate increases at or around the rate of inflation will not generate enough income for future capital works.

What are Councils in the western Bay currently doing to manage these challenges?

There has been a lot of focus particularly in recent times around taking a range of more proactive approaches to manage these challenges including optimisation of existing infrastructure, 'just in time' infrastructure delivery, developers funding infrastructure in advance of scheduled delivery, managing demand, deferral of non-essential projects, sweating infrastructure assets, infrastructure value engineering and alternative infrastructure technologies.

However, the key growth management tool used in the western Bay is spatial planning.

In 2004, the Councils of Western Bay District Council, Tauranga City Council and the Bay of Plenty Regional Councils along with tangata whenua came together to collaboratively manage growth through a partnership called SmartGrowth. The key tool of the growth management strategy is the Settlement Pattern which;

- i. identifies future residential and industrial land-use requirements over the next 50 years,
- ii. identifies the infrastructure requirements to support the planned land use, and
- iii. ensures that funding of infrastructure is anticipated in the relevant ten year plans.

Through the Settlement Pattern, SmartGrowth Partner Councils have taken a long term planning approach to land use which ensures that the rate and location of development is integrated with the provision of strategic infrastructure and associated funding mechanisms.

The integrated settlement pattern approach has many benefits including:

- Providing a much clearer, joined up , long term picture of requirements,
- Providing a single planning template for a wide geographical area which integrates long term planning for infrastructure with land-use and funding requirements,

- Promoting the staging of development and associated public investment in infrastructure in a logical and sequential manner which is more efficient and cost effective,
- Optimising existing infrastructure investment ensuring that development is staged so that new settlements only start when existing settlements have reached their capacity and that new infrastructure is delivered on a just in time basis.

However, despite this integrated approach challenges remain around funding and delivering the infrastructure.

For us in the western Bay of Plenty, these challenges can be divided into two areas;

1. The quantum of investment required to deliver infrastructure to enable the settlement pattern to be delivered.
2. Ensuring that individual infrastructure 'triggers' (specific pieces of infrastructure required to be in place before large tracts of zoned land can be made readily available for development) can be funded and delivered to enable growth to continue unimpeded.

The cost of delivering the SmartGrowth Settlement Pattern

Justine outlined the high level problem definition in monetary terms for the western Bay of Plenty, i.e. the cost of providing the infrastructure associated with delivering the current SmartGrowth Settlement Pattern over the next 30 years.

She stressed that the purpose of putting these figures in this arena is simply to highlight the potential scale of costs for a sub-region which has taken an integrated approach to the long term planning of land-use, infrastructure for the last 10 years. The figures are high level estimates from the draft Infrastructure Strategies of both Western Bay of Plenty District Council and Tauranga City Council and should not be taken out of context.

Justine noted that the Settlement Pattern is currently under review, the costs and benefits of delivery being one of the drivers for this review. Some of the growth related projects listed may not be required depending on the final outcome of the reviewed Settlement Pattern.

The total cost of 3 waters infrastructure over the next 30 years is in the vicinity of \$700 million which includes for a new water treatment station, upgrades to trunk mains and reservoirs, a completed wastewater pipeline, and upgrades to existing wastewater treatment plants in Katikati and Te Puke.

In terms of roads, the figure is around \$950 million and includes State Highway upgrades in the western corridor (between Tauranga and the Kaimais), the northern corridor (between Tauranga and Ōmokoroa) and a new intersection in the eastern corridor at Bayfair. There are also several local road improvement projects on the list, many of which are infrastructure triggers required to release land that has been allocated for future residential growth such as Te Okoroa drive.

The total cost of delivering the core horizontal infrastructure associated with the settlement pattern is around \$1.6 billion.

Alternative Infrastructure Technology and Deliver Systems

Bill Wasley introduced the guest speaker, Terry Leckie, founder of Flow Systems in Australia. Flow Systems is a Private Water Utility Network Operator in New South Wales (NSW) Australia, that designs, funds, delivers, owns and manages water and wastewater systems for large scale private sector developments.

Flow is setting new benchmarks for water sustainability and affordability through its work with developers in both land release and urban high rise. Flow is also a leader in green infrastructure, helping communities to reduce embedded energy, water and carbon costs and empower customers into the future.

Bolstered with the recent backing and majority ownership by Brookfield Infrastructure (a global asset management business), Flow Systems is now expanding into Victoria and Queensland as well as expanding its utility operation into the provision of energy and offering multi-utility service through bundled water and energy infrastructure and services. This can reduce costs, enable innovation, underpin sustainability and deliver greater customer empowerment. Flow works with developers and Governments to unlock these benefits and deliver new multi-utility solutions.

Terry's presentation focused on the Flow systems journey in Australia which included driving the legislative change that enabled Private Water Utility Operators to be established and compete with and compliment the Public Water Utility Operators in NSW. He also outlined the opportunities and benefits that have resulted from that change with regard to:

- Innovation and Technology,
- The bringing forward of Projects and Developments otherwise constrained by Public Utility Operator funding and design limitations.
- The provision of resilient systems, and
- Private Network Utility ownership and operation.

More information can be found in the attached presentation given by Terry Leckie and through the website www.flowsystems.com.au.

Questions

What is the situation around water licencing? Where infrastructure exists they connect through an interconnection agreement that has been established. Flow Systems pay commercial rates for water but the rates need to be 'sensible' for this process to work. Local government acts as an adjudicator to ensure all parties act 'sensibly'.

What is the main driver for this type of alternative solution? Overall cost of offering these services is the driver that determines the alternative model. This is not just the cost to the customer or the government or developer but the overall cost.

What is the science underpinning the alternative technologies particularly in regard to the availability of the fresh water resource? Alternative systems are reducing the reliance on drinking water by providing both potable and non-potable water to homes and changing attitudes to levels of service and demand.

Reducing consumption of water? This is about talking to the communities and making sure that education is part of the solution as there is a need to get all members of the community to take ownership. Traditional models have created a culture of not knowing or caring where the water comes from.

What are the underlying economics for subdivisions of less than 1000 lots? Terry advised that 1000 lots is a 'rule of thumb' in terms of viability of alternative systems and that at that level they can match the incumbents cost to the consumer or offer the service for less.

Is there a developer charge for connection? This varies across the states dependent upon whether infrastructure follows development or development follows infrastructure.

Alternative Funding Options

The following pre-circulated alternative funding options were investigated by participants.

1. Obtaining buy in from ratepayers for funding a package of projects
2. Investment driven rates model
3. Regional infrastructure bank – funded by tax credits
4. Regional infrastructure bank – funded by community wealth
5. Private infrastructure provision
6. Public Private Partnerships
7. Operating concessions
8. Regional fuel tax

Comments were received on the barriers, risks and benefits of each option (see appendix A for comments received on options).

Panel Discussion

Panellist's comments

Richard Ward – Senior Analyst of the National Infrastructure Unit overseeing National Infrastructure Plan.

- Need to be careful to differentiate between funding and financing.
- We must collaborate – it is beyond any one sector or region to think independently about providing solutions.
- The scale of the issue opens the door for private sector involvement.
- Building capacity and capability will be key – in terms of contracting arrangements and managing risks. We don't have the capability here yet to do this well.

Peter McKinlay – Executive Director of McKinlay Douglas specialist in public policy and local government governance.

- Need a dose of reality in terms of the likelihood of Central government assistance. Local government have a much smaller ratio of debt to assets compared with Central government so unlikely that Central government will be 'coming to the rescue' particularly as they have more responsibilities and more pressures on their expenditure.
- Personal belief that in the near future Central Government will be directing communities to better utilise their wealth so the choice is whether communities wish to wait for this to be imposed upon them or embrace the change in a way that gets the best outcome for communities.
- Need to think about whether it is appropriate for Councils to automatically provide all services. Internationally it is common for Councils to procure services from other providers which allow communities to receive services without risk.
- Terrys presentation is the way of the future. Councils are inherently non innovative so deep seated questions about role and function of local government and strength of financial position need to be explored.

Connal Townsend – Chief Executive of the NZ Property Council

- Not realistic to think that the Crown will use some of the national taxation system to benefit local government.

- Local Government Funding Agency is a good initiative that needs to be better supported. Effectively this is about providing pool of money for investment – this idea should be further explored.
- Need to set up a national portfolio in infrastructure again that all projects (national and local) would be eligible for funding from that agency and the bonds they issue should be traded on the market. This idea is essentially taking the concept of a Regional Infrastructure Bank but on a larger, national scale.
- There needs to be a realisation amongst developers that infrastructure must precede development.
- Should be national office on procurement excellence. Local government is extremely risk adverse. UK and Oz doing lots of work here that we need to investigate.
- PPPs and related models are politically controversial. Another option for investigation as an alternative to operating concessions is sale and lease back. This would free up capital for other projects. Purchase obligations could be measured against performance management.

Jeff Fletcher – Chair of Property Developers Forum and branch President of Property Council.

- Need to find opportunities to fund and deliver infrastructure which enables growth to match the markets. Last few years have been volatile. Challenge is matching and adjusting investment and the roll out of infrastructure to suit that. We now need to catch-up, having come out of the GFC environment and ensure infrastructure aligns with market growth. Solutions should focus on providing increased certainty and flexibility around the type of infrastructure provided.

Terry Leckie – Founder of Flow Systems, Australia

- The options discussed today all focus on growth. My focus is getting a step change in the cost of infrastructure. If you separate growth from the existing environment you may have different outcome and apply a different model to each. Don't focus on one size fits all as it will limit options.
- Keep your eye on the health of the marketplace when looking at different options. In NSW we are creating the marketplace and always looking to create capability within contracting and financing options as well as technology for scheme design. Struggle to get new alternative thinking from existing consultants and contractors so we don't use large consulting companies. Prefer to use individuals from other industries to get different thinking.

Questions

What is the role of Development Contributions in terms of picking up the benefits of investing in growth to existing landowners?

Connal

The issue with DCs is that they are a way of immediately funding infrastructure, however developers need to be satisfied around the causal nexus and the money should be spent on the infrastructure related to that development. Recent reforms keep DCs but reinforce causal nexus. In terms of benefit to landowners – there could be multiple beneficiaries down the value and supply chain.

Jeff

What has been recognised is that DCs are necessary to fund infrastructure between landowners and different development communities. Developers in the western Bay of Plenty assisted TCC with their submission to the Select Committee on DC reform and are largely on the same page as Council. The

important message to the Select Committee was that DCs are not a problem in themselves, but need to be dealt with in an equitable manner.

Terry

In Australia there is a range of different approaches to DCs. They were abolished however Councils then lost control and were not able to provide lead infrastructure. The issue with DCs is that they assume that we have got the infrastructure strategy right – what we need to challenge is whether we have got the right model and what type of system is best to provide for the future.

The reality is that the cost of infrastructure has gone up significantly in real terms in last 25 years. Collectively the national standards imposed on buildings need to be dealt with as impact on affordable housing. What does the panel suggest by way of making progress quickly on this issue?

Peter

Need to address myth that people will always resist rates increases. There is scope for this to work with better engagement with communities.

Drilling down into community wealth is challenging as most of the wealth holders received wealth a long time ago as result of restructuring. We need to stop treating this issue as sacrosanct and start to actively question whether these assets are working the best they can.

There is enormous potential in BOP in terms of tapping into this wealth. Not to give it away, but to put into investments that creates new assets and income streams. Can't see government leaving these assets under-utilised when the public sector faces the pressures that it does. The question is when rather than if, so we need to start asking these questions and taking the lead before it is imposed on us. Currently there is no community awareness and nobody has a stake in progressing this issue.

Also there is a need for Local Government to think creatively about how they do things. We need to ask who is best equipped to deliver particular services or manage particular assets. Don't need to assume that because it is Councils responsibility to provide the service, they should automatically own and manage the asset.

Residents and landowners benefit enormously from growth and development. How do we find a way to tap into the accretion of wealth through development rather than taxing those that do not directly benefit?

Connal

In Germany each individual state development become part of the virtuous cycle. When development occurs the community is able to tax existing ratepayers more as everyone gets benefit so towns are all competing to accommodate growth. Problem here is there is no incentive for this to occur. This would need a change to the way local government is funded.

The key message from today is that we need to go back up and look at the infrastructure model and alternative technologies. The point of Terry's visit is to get us to change our mind-set ask more of our engineers in order to change the quantum of the funding/financing debate.

Next steps

1. Circulating the information and feedback to participants.
2. Feed key messages into LGNZ paper on local government funding.
3. SmartGrowth will consider and do further work including on the development of an evidence base around the alternative mechanisms highlighted today.
4. Consider the wider engagement with other Councils and key stakeholders with a view to establishing collaborative arrangement to progress messages.



Funding Alternatives		
1. Obtaining Buy-In from Ratepayers on a Package of Projects		
<p><u>Description / Example:</u> Status Quo (generally); through the Long Term Plan (LTP) Process under the Local Government Act (LGA) a package of network infrastructure projects (together with costs and benefits) are put to the community for funding approval. This will very likely be underpinned by a pre-agreed level of rates and fees and charges to be paid by the community over the ten year LTP term.</p>		
Barriers	Risks	Benefits
<ul style="list-style-type: none"> • Alternative currently available under Local Government Act 2002 (LGA), providing consultation provisions met. • Limited potential evidenced by the fact that is currently not working to achieve required funding. • Lack of effective engagement mechanisms with the community and inability to get ratepayers to understand the value, costs, and complexity of infrastructure investment. • Without a burning platform/crisis (ie droughts in Australia) there will not be a significant sea change in ratepayers attitudes. 	<ul style="list-style-type: none"> • Main challenge / risk is communicating the benefits of this to the ratepayers. • Potential ratepayer resistance due to likely increased rate burden. • Amount of infrastructure required may be constrained by Council's revenue / debt ratio. • Likely to be constrained by triennial Local Government Electoral Cycle. • Medium to long term revenue uncertainty. • Lack of flexibility to adjust to market changes. • Cash funding of depreciation still required, in accordance with LGA. • Need to be truly collaborative and representative - Many members of the public are not ratepayers and therefore would be excluded from the process. Ratepayers are often absent from communities. Community representatives are often not representative of the whole community. • Need to get good quality information to the ratepayers to inform them – Time consuming and expensive education process required to increase ratepayers awareness and understanding. • Ratepayers focus will always be on local needs rather than broader regional needs. 	<ul style="list-style-type: none"> • If successful provides increased infrastructure investment certainty for Three Yearly Local Government Electoral Cycle. • Ratepayers have more control over their own requirements and can dictate the priorities for investment.

2. Investment Driven Rates Model		
<p><u>Description / Example:</u> Rate revenue from new growth and development is applied to debt reduction, instead of being applied to reduce the existing overall rating requirement to meet operating expenditure and capital expenditure.</p>		
Barriers	Risks	Benefits
<ul style="list-style-type: none"> • Legal confirmation maybe required on the ability for this alternative to be implemented under Local Government Act 2002 (LGA). • No legal barriers • Public perception • Political risk • Increasing rates bill 	<ul style="list-style-type: none"> • Potential ratepayer resistance as it reduces debt, however increases rates, re-adjusting the balance between rates and debt. • Cash funding of depreciation still required, in accordance with LGA. • Probably won't generate enough revenue compared to capex requirements to get government buy-in • Limited in BOP context as contingent on new development (relies on growth) • Intergenerational equity issues 	<ul style="list-style-type: none"> • The benefits of growth are reinvested into the future of the City and District. • Reduces the City / District revenue / debt ratio allowing for ongoing debt funding of future growth. • Brings the issue of funding infrastructure into the public domain.

3. Regional Infrastructure Bank (RIB) – Funded Through Tax Credits		
<p><u>Description / Example:</u> An RIB is capitalised (partially) through tax credits in the form of a rebate on GST paid on Local Government Rates (in full or part) or a flat tax credit by population, by Central Government. The RIB mandate is to provide (as close as possible) a market investment return on investments and provide an alternate funding source to finance essential network infrastructure (potentially to both the public and private sector).</p>		
Barriers	Risks	Benefits
<ul style="list-style-type: none"> • New legislation required. • Obtaining Political & Central Government agreement - Not attractive for government - moving money around, not creating more money into system • The cost of implementing rebates on GST paid on rates would be high • Not feasible for all councils across the county – different growth in different areas creates different demands for infrastructure 	<ul style="list-style-type: none"> • Maintaining central government buy-in with 3 yearly election cycle – risk of long term strategy and funds being diverted for political gain • Would require RIB capitalisation from other sources as well. • Would put significant political pressure on growth councils to provide evidenced base business case for investment • Council would then be under significant pressure to decrease rates and user fees . • Ownership of RIB funding and distribution process would need to be representative of community and beneficial to wider community 	<ul style="list-style-type: none"> • Consistent revenue source. • Recycles local tax revenue into the local economy. • Enable key network infrastructure to be planned and delivered in a timely manner, unconstrained by the balance sheets of Councils’ and competing priorities. • Potentially provides for lower funding costs for infrastructure. • Potentially enables more equitable cost recovery regimes to be adopted eg intergenerational equity. • Opportunity (over time) to attract institutional investment • Encourages and enables innovation. • Potential could decrease rates • Ties contribution source to local expenditure • Recycles domestic growth into the local community.

4. Regional Infrastructure Bank (RIB) – Funded Through Community Wealth		
<p><u>Description / Example:</u> An RIB is capitalised (partially) through investment into the RIB by organisations, entities or trusts that have access to community wealth that is currently invested in the capital markets. The RIB mandate is to provide (as close as possible) a market investment return on investments and provide an alternate funding source to finance essential network infrastructure (potentially to both the public and private sector).</p>		
Barriers	Risks	Benefits
<ul style="list-style-type: none"> • New legislation required. • Community Wealth organisations may require their mandate and funding framework and distribution methods changed. • Not applicable to all regions as many don't have significant sources of community wealth • Imposed overheads and increased bureaucracy could be political barrier • Mistrust amongst developers and councils • Lack of credibility, reputation, track record 	<ul style="list-style-type: none"> • Gaining local community acceptance – community could be reluctant to change. • Achieving comparative market investment returns from a RIB – rate of return uncertain • Lack of diversification for investors • Could undermine some existing opportunities • Regional competition • Political interference with distribution 	<ul style="list-style-type: none"> • Ability to create a sizeable RIB relatively quickly. • Uses local community wealth to contribute to the ongoing growth and prosperity of the community from where the wealth was (largely) originally generated from. • Enable key network infrastructure to be planned and delivered in a timely manner, unconstrained by the balance sheets of Councils' and competing priorities. • Potentially provides for lower funding costs for infrastructure. • Potentially enables more equitable cost recovery regimes to be adopted eg intergenerational equity. • Opportunity (over time) to attract institutional investment • Encourages and enables innovation. • Opportunity for private investment in community particularly cross boundary investment • Retains degree of community involvement and promotes engagement and help local decision making • Could have wider appeal for private investors • Encourages a local focus and buy-in to the betterment of the community

5. Private Infrastructure Provision		
<u>Description / Example:</u> Infrastructure is designed, funded, delivered and operated (long term) by a Private Sector company, independent of the Public Infrastructure Utility.		
Barriers	Risks	Benefits
<ul style="list-style-type: none"> • Legislation required. • Licencing of Private Utility Operators required. • Consumer protection requirements will be required. • Public perception of infrastructure as public good based on large scale solutions • Lack of burning platform /crisis to drive public understanding and acceptance • No successful models to use as best practice 	<ul style="list-style-type: none"> • Adequately addressing risk of private sector failure. • Asset trading; security of tenure of initial operating company. • Pricing and affordability of service provision; potential for large price increases of an essential service (eg water). • Adequate access required to connect to the existing public utility infrastructure. • Public ownership and security of infrastructure eroded. • Potential threat to viability of councils existing infrastructure businesses, losing economies of scale. • Council ability to match private sector • Private companies would need to operate under tightly enforced ethical/moral standards to ensure that water is provided regardless of ability to pay. • Lack of capacity, capability, experience in contracting and innovative engineering solutions 	<ul style="list-style-type: none"> • Enables growth and development projects otherwise constrained by funding to be brought forward. • Enable key network infrastructure to be planned and delivered in a timely manner, unconstrained by the balance sheets of Councils' and competing priorities. • Potentially provides for lower funding costs for infrastructure. • Transfers funding and delivery risk to a private sector operator. • Encourages competition which drives innovation for less costly, future proof solutions • Drives a shift in community understanding/education around minimisation of resource use/reducing demand • Could be beneficial to councils if private providers fail • May enable flexibility for development to proceed in greenfield areas that do not have Council infrastructure.

6. Public Private Partnerships (PPP)		
<u>Description / Example:</u> Infrastructure is designed, funded, delivered, operated (for an agreed timeframe); with the ownership transferred to the Public Infrastructure operator at the end of the pre-agreed PPP timeframe.		
Barriers	Risks	Benefits
<ul style="list-style-type: none"> • For water services, amendment is required to LGA 2002 to extend the operating term beyond 35 years • Short term political cycles not aligned with long term investment decisions • Community views around social benefit vs profit • Commercially viable enterprises are unlikely to be put out to PPPs 	<ul style="list-style-type: none"> • Requires a relatively large scale of project / investment. • Requires consistent strong revenue streams. • Financing costs are higher than the public sector. • Tax implications need to be considered. • Variable LOS and affordability • What happens when it goes wrong – linked to forecasting of profits • Lack of control around integration of services and land-use • Failure of private operator to perform affects reputation of Council partner and risks public revenue • Lack of NZ experience and best practice models • Failure to consider whole of life considerations in forecasting • Lack of capacity, capability, experience in contracting and innovative engineering solutions however international experience can be drawn on 	<ul style="list-style-type: none"> • Can efficiently fund and deliver large network infrastructure projects otherwise constrained by the balance sheets of Councils’. • Potentially provides for lower funding costs for infrastructure • Transfers funding and delivery risk to a private sector operator. • Encourages and enables innovation. • Councils will be less burdened by costs and overheads • Greater affordability for community (however need to measure social affordability) • Potential to save costs through value engineering component, subject to regulatory limits.

7. Operating Concessions		
<u>Description / Example:</u> The management, maintenance, capital expenditure programme (pre-determined) and operation of an infrastructure network is contracted to a private sector company for a pre-determined timeframe (the concession period).		
Barriers	Risks	Benefits
<ul style="list-style-type: none"> • For water services, amendment is required to LGA 2002 to extend the operating term beyond 35 years. • Currently only used in a limited way in NZ: Papakura (Akl'd) and Wellington Wastewater Treatment Plant (WWTP). • Community perceptions would need to change to accept private providers • Attractiveness of local Government as customer to private enterprise? • Scale may be a barrier to successful private operation 	<ul style="list-style-type: none"> • To enable capital investment in new infrastructure will likely require a combination of long term revenue streams and equity in existing asset base to leverage off. • Financing costs for private sector are higher than the public sector - May be more expensive than current model • Tax implications need to be considered. • Lack of capacity, capability, experience in contracting • Need to ensure LOS set at correct levels and are consistent • Inadequate investment in maintenance – could lead to significant asset failure which would falls upon ratepayers to mitigate 	<ul style="list-style-type: none"> • Enables operating, funding and delivery costs to be removed from Councils' balance sheet. • Transfers operating, funding and delivery risk to a private sector operator eg Veolia. • Known situation for councils, have experience • Suits NZ economies of scale • Retains control over assets • Innovation and competition could drive lower cost

8. Regional Fuel Tax (RFT)		
<u>Description / Example:</u> An additional tax per litre of fuel is charged at the point of retail, for transfer to the authority responsible for investing these proceeds in transportation network infrastructure.		
Barriers	Risks	Benefits
<ul style="list-style-type: none"> • Political support required. • Legislation required. • Community support required. • Administration cost? 	<ul style="list-style-type: none"> • Lack of political, community and business support. • Inflationary. • Generally only linked to funding transportation related infrastructure. • Revenue leakage at boundaries of RFT area. • Inequitable distribution of funds as money taken at Point of Retail which may not be reflective of place of residence • May not be viable as vehicles get more efficient • Cost passes straight to consumers and businesses • May impact on NZTA FAR rate? • Need to clearly define and agree what the funds would be used for? - Additional capex or maintenance • Penalises car dependant people 	<ul style="list-style-type: none"> • Reasonably consistent revenue streams. • Transparent funding / revenue stream. • With regard to transportation / roading provides a 'user pays' approach to infrastructure funding and links willingness to pay with additional supply which could drive a model shift in transportation? • Point of sale so not seen as council charge

Summary of Development Contribution Fees and Key Changes

(Citywide Development Contributions and Local Development Contributions)

	Water	Wastewater	Stormwater	Transportation	Community Infrastructure	Reserves	TOTAL (gst excl.)	TOTAL (gst incl.)
CITYWIDE DEVELOPMENT CONTRIBUTIONS (PER HOUSEHOLD UNIT OR HOUSEHOLD UNIT EQUIVALENT)								
Residential (non one or two bedroom dwelling)	\$2,949.36	\$3,127.11	0.00	\$249.45	\$660.24	\$363.51	\$7,349.67	\$8,452.12
Residential (two bedroom dwelling)	\$1,917.08	\$2,032.62	0.00	\$162.16	\$429.16	\$236.28	\$4,777.30	\$5,493.90
Residential (one bedroom dwelling)	\$1,474.68	\$1,563.56	0.00	\$124.73	\$330.12	\$181.75	\$3,674.84	\$4,226.07
Business activities (per 100m ² gfa)	\$662.72	\$907.60	0.00	\$291.94	\$0.00	\$0.00	\$1,862.25	\$2,141.59
Low demand business activities (per 100m ² gfa)	\$165.68	\$204.94	0.00	\$291.94	\$0.00	\$0.00	\$662.56	\$761.94
Community organisations (per 100m ² gfa)	\$745.55	\$790.49	0.00	\$46.71	\$0.00	\$0.00	\$1,582.75	\$1,820.16
LOCAL DEVELOPMENT CONTRIBUTION FOR RESIDENTIAL DEVELOPMENT PER ADDITIONAL ALLOTMENT OR PER DWELLING IN A MULTI-UNIT DEVELOPMENT								
BETHLEHEM	\$614.70	\$4,648.06	\$2,835.74	\$3,485.15	\$0.00	\$0.00	\$11,583.64	\$13,321.18
PYES PA	\$429.47	\$2,957.00	\$1,080.75	\$1,827.14	\$0.00	\$0.00	\$6,294.35	\$7,238.51
OHAUITI	\$4,530.19	\$4,273.48	\$659.33	\$1,092.86	\$0.00	\$0.00	\$10,555.87	\$12,139.25
WELCOME BAY	\$1,633.06	\$3,780.55	\$1,026.51	\$1,693.77	\$0.00	\$0.00	\$8,133.90	\$9,353.99
PAPAMOA	267.75	\$940.20	\$2,968.15	\$3,698.06	\$170.26	\$536.65	\$8,581.07	\$9,868.23
TAURANGA INFILL	\$0.00	\$2,957.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,957.00	\$3,400.55
MT. MAUNGANUI INFILL	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
WEST BETHLEHEM (BLOCK D / RURAL RES)	\$317.58	\$6,691.93	\$3,402.68	\$3,516.10	\$816.64	\$4,536.90	\$19,281.83	\$22,174.10
PYES PA WEST	\$667.20	\$5,907.08	\$5,944.28	\$4,578.65	\$430.10	\$911.79	\$18,439.11	\$21,204.98
LOCAL DEVELOPMENT CONTRIBUTION FOR ALL DEVELOPMENT PER HECTARE OF SITE AREA								
WEST BETHLEHEM (EXCL. BLOCK D / RURAL RES)	\$4,287.33	\$90,341.06	\$45,936.18	\$47,467.35	\$11,024.64	\$61,248.15	\$260,304.71	\$299,350.41
WAIRAKEI (STORMWATER AREA A)	\$41,403.03	\$65,544.61	\$189,038.41	\$220,383.13	\$0.00	\$0.00	\$516,369.18	\$593,824.55
WAIRAKEI (STORMWATER AREA B)	\$41,403.03	\$41,857.77	\$37,424.42	\$172,005.64	\$0.00	\$0.00	\$292,690.85	\$336,594.48
WAIRAKEI (STORMWATER AREA C)	\$41,403.03	\$100,620.93	\$233,005.14	\$172,005.64	\$0.00	\$0.00	\$547,034.74	\$629,089.95