

17 July 2015

New Zealand Productivity Commission

Whanganui District Council officer submission on the draft report on using land for housing.

Dear Sir/Madam,

Thank you for the opportunity to submit on the draft report on using land for housing and your presentation at Massey University on 15 July 2015. Below are comments and concerns about this process:

Purpose of the report

1. The Government has asked the Productivity Commission to look at the faster growing urban areas in New Zealand. What consideration is being given to provincial towns with static or declining populations? Furthermore is the Commission giving consideration to the implication of this report and the cost of compliance with ensuing legislative changes in areas where there is an oversupply of housing and consequently housing land supply and affordability is not an issue?
2. This report is single-minded. It is so focused on making housing more affordable, that it risks failing to recognise the unique attributes and issues in each community. If this report is used to influence reforms in the RMA, it needs to be clear that affordability should be balanced against other social, economic and environmental factors of equal relevance to individual communities.

Assumptions of the report

3. The analysis in the draft report appears to be based on an assumption that 'productivity' is the ultimate goal. In the presentation at Massey, the calculation of productivity was explained as the cost of inputs or the value of outputs (GDP). This approach therefore endorses increases in GDP as the ultimate indication of increasing well-being. Whilst GDP is an important measure it excludes the value of contributions to health and well-being not sold within markets. These non-monetary costs and benefits are important components of housing and welfare. Hence, GDP ignores social and environmental factors that result in a reduction in welfare and accordingly count the associated increase in costs to the taxpayer, as contributors to the calculation of productivity. GDP also does not consider the delivery of our most 'valuable' non-monetary commodities such as breathable air, clean water and social amenity values.
4. Potentially a broader analysis and a focus on 'Sustainable Productivity' as opposed to the calculation of GDP, a measure that would continue to indicate prosperity even when quality of life was declining, would result in conclusions that provide clearer guidance for our decision makers and future policy that promotes the long term prosperity of our nation.
5. In the presentation, it was emphasised that 'productivity' is not just a measure of inputs and outputs, but also of communication access. Did the Commission consider how ultra- fast broadband is making smaller communities such as Whanganui more desirable and efficient places to do business? In terms of other forms of connectivity a flight from Whanganui to Auckland will take the same amount of time as driving across Auckland. Have these comparable costs been factored into the models?
6. We are concerned that the commission believes that home owners have a disproportionate influence in local council processes. This is an attribute of a democratic society. As householders are ratepayers they will be the ones who have to pay for Council decisions (now and in the future) and therefore legislation should be promoting more not less community engagement in decision making.

The Outputs of the report

7. We support the comment regarding the need to have more measureable objectives and policies – such as stating a 7 year supply of developable housing land, as opposed to a vague statement. This will result in more effective monitoring of the success or otherwise of District and Regional Plans and the next generation of such documents.
8. We are concerned that one of the perceived barriers to affordable housing is the zone rules. Zone rules should reflect the prevailing economic, social and market requirements prevailing in the area in which they are prepared. When requirements such as car parking, maximum heights, landscaping etc. are removed on a blanket basis there is a high risk of generating the very social issues which they are designed to address. This position therefore ignores the benefits that planning contributes to the delivery of housing. Before recommending that such rules are removed, it is important to consider the reason the communities and their Councils created them.
9. We support the concept of charging the Crown rates on the land that it owns.
10. We support the idea of encouraging Central Government Agencies to the table earlier to be proactive about how future development will affect their roles. We look forward to hearing more about how this would be achieved.
11. We are concerned that one of the main options offered to deal with the infrastructure costs involves increasing Council debt to be paid off by future residents. Most provincial Councils in New Zealand, especially those with declining populations and rates bases, are working on reducing debt.
12. As an alternative to imposing increased debt on Councils and their communities, Central Government could create an Infrastructure Bank to lend to developers or Councils at competitive rates to fund infrastructure growth. This type of model was used successfully to facilitate the delivery of Ultra-fast broadband in Whanganui.
13. Another alternative method would be for Central Government to justify the cost recovery on infrastructure assets and set amounts every year, as opposed to each Council spending large amounts of money to justify charging costs onto the developer. This would be particularly useful in areas where the level of growth means that Council would otherwise spend more on reports justifying the Development Contribution than it would collecting it.
14. Given that Central Government imposed taxation on construction costs makes up a higher proportion of the cost of a new build than Local Government regulatory costs, it would seem to be reasonable to investigate reducing taxation/levies on development and construction in order to make housing more affordable?
15. The gap between projected housing demand and the housing to be supplied in Auckland is growing substantially further apart each year. Focussing on addressing “supply side” issues in this context is not a credible approach as the UKs Barker report in 2006 (see link below) into the same issues and the subsequent lack of success of the measures proposed demonstrated. Addressing “demand side” issues should be given equal priority. To introduce national measures that place the burden on all of New Zealand to remedy a situation that is primarily affecting Auckland is neither rational nor efficient. A more pragmatic approach would be to look at options to help industries, businesses and individuals to locate in regional centres that currently have the infrastructure and housing in place with significantly lower overhead costs and higher unused capacity than Auckland.

Thank you for the opportunity to submit on this report.

Jonathan Barrett
Wanganui District Council

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/228605/0118404857.pdf

