

New Zealand Productivity Commission

Using land for Housing Draft Report – June 2015

New Zealand Productivity Commission

info@productivity.govt.nz

Submitter:

Dale Smith

B.Sc., Dip. Bus. Studies. (Real Estate)

dsmith@buynzland.com

021 667 501

In Reply to the Productivity Commission's Draft Report on Housing Affordability

Due to other commitments, I did not have time prior to the cut-off date for further submissions on the Draft report to make this reply, but I would like to submit this written statement for the record anyway.

I note the following and would like the Commission to take these points into consideration.

The commission makes these comments:

'Easing unnecessary constraints to allow cities to reach their full potential is a key focus of this inquiry.'

'A central task of this inquiry is to "identify leading practices that enable the timely delivery of housing of the type, location and quality demanded by purchasers',

'In line with the inquiry's Terms of Reference, the Commission focused on policies and practices that are designed to promote the supply of development capacity for housing, especially for those on lower incomes.'

Then the Commission also makes this comment as supposed logical conclusion of the above statements:

'The Commission therefore looked at those practices or policies consistently enacted or promoted across jurisdictions that are facing housing affordability issues.'

Could the commission please explain why they would look at jurisdictions facing housing affordability issues, instead of those jurisdictions that do not have housing affordability issues, and conversely why they have not looked at jurisdictions that do not have housing affordability issues?

Surely it makes sense to look at jurisdictions that do not have housing affordability issues as these jurisdictions must be using practices and policies that provide for housing affordability.

If the Commissions statement about looking at jurisdictions that facing housing affordability issues was taken to its logical conclusion, then if all other jurisdictions did not have affordability issues, then the Commission would have nowhere to look for solutions to New Zealand's housing affordability issues problem.

This mind set by the Commission, in my professional opinion, has meant they have failed in carrying out the Terms of Reference as they have not identified the most obvious leading practices that enable the timely delivery of affordable housing.

It also explains, in spite of the Commission saying they would engage with industry experts in housing affordability, they have not taken up my offer of assistance to the Commission, as my partial expertise is working in jurisdictions that do not have housing affordability issues.

However, my offer remains open should the commission wish to speak with me as someone who has extensive knowledge and over 30 years' experience in working in both jurisdictions that do not have housing affordability issues and also in jurisdictions that do have affordability issues.

Commissions Comments on MUD's

I have considerable knowledge of MUD's and the commission makes reference to myself on page 192 of the Draft Report, however misunderstands my point, which I take responsibility for as I thought the commission had a better understanding of MUDs.

For clarity, the point I was making was this: Council would be very happy for residents to take on the cost of supplying infrastructure and managing their development, if they can also keep charging the present fees, levies and rates for those same services that council would have supplied anyway ie they would be double dipping. This already happens in part in Body Corporate developments where the residents pay for common areas that also have charge for that same service in the general council rates.

The commission also makes this comment

"Municipal utility districts (MUDs) are another infrastructure financing approach suggested by inquiry participants. The main advantages of the approach are that it allows infrastructure to be built at the initiative of a developer, and the cost of infrastructure is recovered over a long timeframe from those that benefit.

Again the commission makes the conclusion from this that:

'Yet creating multiple, small and fragmented resident-managed utilities through MUDs is unlikely to be efficient.'

In doing so the commission again shows lack of understanding about how MUDs work, let alone that efficiency of scale is a U shaped curve so smaller does not necessarily mean less efficient. For example a MUD may provide its own internal

wastewater treatment and disposal, but may source its potable water from an outside supplier.

The commission should be asking themselves this. How come that affordability of houses in MUD developments is approx. half the cost, irrespective of MUD size, than it is in NZ developments?

The fact that all MUD developments are more affordable for the end consumer than NZ developments shows that there is an inherent efficiency irrespective of scale.

In fact it is precisely that MUDs can be multiple sizes, can be development by many (ie lots of competition) and can be development so that supply can almost equal demand in real time, irrespective of the economic cycle, that is the main reason for them being able to provide affordable land and housing.

I have attached a summary about MUDs that I was asked to write to explain the basic concept and have also attached a case study on a common wastewater infrastructure used in MUDs of all sizes and would have the Commission note this comment by *Dr. Kevin White, Ph.D., P.E., Professor and Chair of the Engineering Department at the University of South Alabama,*

***'Effluent sewers and attached growth treatment systems minimize solids handling, thus allowing for smaller infrastructure and lower costs. If we had it to do over again, knowing what we know now about the huge costs and environmental issues with centralized city sewers, we might not sewer in that way.'* (my emphasis)**

The Commission itself noted:

'MUD model offers the significant benefit (at least in terms of the release of land for housing) of not requiring local government approval to be initiated. Developers who are able to secure finance do not need to wait for local government to provide and construct growth-enabling infrastructure. However, much of these benefits could be captured through use of targeted rates (discussed in section 7.5) – a funding tool that is already available to councils.'

It is arguable whether targeted rates would provide the same benefits, but main point is surely that since MUDs, as we are ALL agreed, offer significant benefits as mentioned:

then the Commission should be supporting the the ability for MUDs to be developed,

as in the writers professional experience, it is this one function of MUD benefit (and there are many others) that provides the single biggest benefit and reason for more affordable housing.

To say that a council appointed body could do the same thing anyway (when none of them have) is to miss the point that by allowing another entity to have the same ability to provide the same service would also make the council reassess how they might provide that service themselves. **It's called competition.**

Covenants

The Commission asks this question regarding Covenants.

What are the merits of statutory controls on subdivision covenants, such as time limits, restrictions on the subject matter in them, providing councils with powers to override them, or creating mechanisms to reduce the barriers to extinguishing them without unanimous consent?

As someone who has professional written, managed and enforced covenants, I have **attached a summary on the issue of Property Rights, Zoning, Covenants and Nimbyism**, and the cause which I think is a fundamental confusion by people on what are their property rights.

The Commission should provide clarity on this issue and recommend that covenants have the same powers of review by those that come under the covenant jurisdiction as per similar Body Corporate rules and regulations.

I invite the Commission contact me to further expand on the benefits of MUD developments in providing affordable housing as per their Terms of Reference.

Yours sincerely

Dale Smith

dsmith@buynzland.com

021 667 501

See attachments

1. Summary Municipal Utility Districts
2. South Alabama Utilities Case Study
3. Debate on Property Rights, Zoning, Covenants and Nimbyism

