

22 December 2014

Reference A623744

Steven Bailey
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New Zealand Productivity Commission
PO Box 8036
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Dear Steven Bailey

**The New Zealand Productivity Commission's Inquiry: Using Land for Housing Issues
Paper November 2014**

Thank you for the opportunity to provide comment on the New Zealand Productivity Commission's Inquiry 'Using land for housing' Issues Paper (November 2014). Please find attached the Canterbury Earthquake Recovery Authority's (CERA) submission. CERA officials are happy to meet with the Commission to further explain any aspect of this submission and to answer any questions.

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Yours sincerely



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Canterbury Earthquake Recovery Authority submission on:

**The New Zealand Productivity Commission's Inquiry: Using Land for Housing
Issues Paper November 2014**

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Introduction

1. This submission is made on behalf of the Canterbury Earthquake Recovery Authority (CERA). CERA officials are happy to provide further information to the Commission as required.

Overview of the Submission

2. This submission covers the following key topics:
 - CERA and greater Christchurch;
 - Land Supply;
 - Housing Demand;
 - Housing density and intensification;
 - Affordable housing;
 - Infrastructure and services;
 - District Plan rules;
 - Response to questions 73 and 74; and
 - Conclusions and Recommendations.

CERA and greater Christchurch

3. CERA was established as a government department in March 2011 to lead and coordinate the on-going recovery effort following the devastating Canterbury earthquakes. The Canterbury earthquakes have had a significant impact on housing supply in greater Christchurch with an estimated 168,000 homes damaged¹ including 10,000 to 20,000 dwellings lost across metropolitan greater Christchurch². Further pressure has been put on the surviving housing stock as rebuilds and repairs require alternative short term housing for residents, in addition to the need for temporary workers accommodation.
4. To alleviate the pressure on the remaining housing stock, a number of actions have been taken in consultation with CERA's strategic partners (Christchurch City Council, Selwyn District Council, Waimakariri District Council, Environment Canterbury and Te Rūnanga o Ngāi Tahu) under the Canterbury Earthquake Recovery Act 2011 (CER Act). The actions have been guided by the *Recovery Strategy for Greater Christchurch – Mahere Haumanutanga o Waitaha*³ (*The Recovery Strategy*) developed under sections 11-15 of the CER Act. Goals in the Recovery Strategy in relation to land supply and affordable housing include 'zoning sufficient land for recovery needs...that provides for future development' and 'having a range of affordable housing options connected to community and strategic infrastructure'⁴.
5. Two recovery plans have been produced to facilitate recovery – the Land Use Recovery Plan – Te Mahere Whakahaumanu Tāone (LURP) and the Christchurch Central Recovery Plan – Te Mahere 'Maraka Ōtautahi' (CCRP), both of which address land supply and housing, and combined cover metropolitan greater Christchurch. These recovery plans were developed under sections 16 to 26 of the CER Act.

Land Supply

6. The immediate issue post-earthquake in the Canterbury housing space was land supply. To address this issue the existing plans, policies and strategies were evaluated. The pre-earthquake work undertaken by the Greater Christchurch Urban Development Strategy Partnership provided a key platform for the Christchurch recovery. The Urban Development

¹ EQC - <http://www.eqc.govt.nz/canterbury-earthquakes/progress-updates/scorecard>

² LURP, 2013, page 6

³ The Recovery Strategy for Greater Christchurch, 2011 - <http://cera.govt.nz/recovery-strategy/overview>

⁴ The Recovery Strategy for Greater Christchurch, 2011, page 11

Strategy (UDS) was adopted by the Christchurch City Council, Waimakariri District Council, Selwyn District Council, Environment Canterbury and the New Zealand Transport Agency (NZTA) between 2004 and 2007. The UDS looked at sustainable urban and rural development for the following 35 years in Canterbury. Although the Strategy did not have any statutory effect, many of the agreed principles and fundamental goals were subsequently adopted and given effect to through the LURP under the CER Act.

7. The Minister for Canterbury Earthquake Recovery used his powers under section 27 of the CER Act to give effect to the residential zoning of land. Subsequently, Memorandum of Understandings were set up with strategic partners and developers to facilitate subdivisions. This included Prestons, Sovereign Palms and Silverstream subdivisions which collectively were intended to provide almost 1500 sections.
8. The LURP inserted Greenfield Priority Areas into the Canterbury Regional Policy Statement to facilitate new housing in Christchurch, Selwyn and Waimakariri. Both the Selwyn and Waimakariri Districts have experienced substantial population growth, as identified by the Commission's Issues Paper – 65% and 38% respectively (population growth 2001-2013), with a large percentage of the growth post-earthquakes. This re-settlement has altered the spatial population distribution throughout greater Christchurch and changed the demand for housing throughout the region. Further discussion on the LURP provisions is provided in the response to Q74 below.

Housing Demand

9. The Commission's Issues Paper recognises that the average size of new dwellings has grown over the years to an average of 200m². This is also the experience in Canterbury, compounded by the damage to, and demolition of, older housing stock. This has further limited the smaller, more affordable houses available in greater Christchurch.
10. To address the demand for smaller housing, the LURP directed the Selwyn and Waimakariri District Councils to develop provisions to enable comprehensive residential development. Both Councils recognised the demand in their communities for a variety of housing choices and that they needed more flexible planning provisions. The recently approved provisions allow for reduced minimum lot sizes in limited areas of Selwyn and comprehensive development of four or more dwellings as a single development in existing urban areas in Waimakariri. The diversity of lot sizes and higher density allows developers to build smaller houses and more of them on less land. The planning provisions which have been implemented have yet to be fully tested with the market, however the monitoring of these rules will be undertaken with the results available in April/May 2015 from Selwyn and Waimakariri District Councils.
11. In Christchurch City, a number of amendments were made to the district plan with immediate effect through the LURP. The provisions were largely developed to encourage density and intensification as discussed below.

Housing density and intensification

12. CERA considers that the density at which land is developed could be investigated in greater depth in the inquiry. Increasing intensification in existing urban areas has several benefits including better utilising existing services, supporting the viability of the public transport system, and having amenities within walking distance. If occupants are able to walk to services and their place of work, this makes the cost of living more affordable as it omits

potentially large travel costs and reliance on the car. Furthermore, high density development typically consists of smaller individual dwellings which offer a more affordable housing solution with lower land costs.

13. *A Liveable City*, a draft residential chapter for the Christchurch Central Recovery Plan, promotes medium density living with the aim of substantially increasing the number of people living in the central city. There are significant central city brownfield development opportunities that could be used to replace and materially increase both the supply of housing in the city and the number of inner city residents. In order to make the most of this opportunity, *A Liveable City* aims to create favourable conditions that allow the private sector to innovate, act quickly and develop with certainty. It includes a vision and objectives for inner city living, new district plan provisions, and several committed Crown and Council initiatives designed to stimulate residential development. The draft chapter acknowledges the importance of developing a close relationship with the private sector. Further information on the *A Liveable City* initiatives can be provided to the Commission if required.
14. To achieve a better supply of smaller affordable houses in greater Christchurch, the LURP introduced a package of measures to promote infill and intensification. Measures include:
 - replacing one earthquake damaged building with two dwellings as a permitted activity;
 - converting an elderly persons housing unit into a residential unit as a permitted activity;
 - converting a family flat into a residential unit as a permitted activity;
 - converting an existing dwelling into two residential units as a permitted activity;
 - Comprehensive Redevelopment Mechanism (see paragraph 21); and
 - Enhanced Development Mechanism (see paragraph 24).
15. The uptake of these provisions appears to have been limited but is difficult to monitor, given the some provisions are permitted. One of the potential reasons there has been limited uptake in the intensification provisions is that individual landowners often have different goals to developers when they develop. Individual landowners, particularly those whom are rebuilding after the earthquakes, often do not want to subdivide and cannot afford the initial investment. Understandably, there can also be community and local authority resistance to intensification. CERA recommends that the inquiry could look into both the barriers and incentives to intensification.
16. To help promote the intensification mechanisms, the LURP directed Christchurch City Council to develop a package of instruments, such as development contribution policies, financial tools and regulatory incentives. This is currently underway, with early feedback that the review of development contributions has recommended decreasing costs associated with some intensification developments.
17. By contrast, the district plan facilitated multi unit residential development within the central city and since the earthquakes the Christchurch City Council has waived development contributions⁵. This appears to have been a successful combination, although you would expect the most intense residential development to be within the four avenues of the central city.

⁵ Press Article 20 December 2014 <http://www.stuff.co.nz/the-press/business/the-rebuild/64348803/10m-development-fund-almost-spent>

Affordable housing

18. To encourage high quality affordable housing, the LURP facilitates Exemplar Housing and enabled the Comprehensive Housing Redevelopment Mechanism, both of which require the developer to include a proportion of affordable housing in their development. Similar approaches have previously been undertaken in the UK.
19. The LURP provided for six exemplar sites which the Christchurch City Council have approved in principle:
 - Two Housing New Zealand Corporation sites;
 - Two Christchurch City Council sites; and
 - Two private sites – Spreydon Lodge Limited and Riccarton Racecourse.
20. Christchurch City Council, with support from Te Rūnanga o Ngāi Tahu, the Ministry of Business, Innovation and Employment, NZTA and CERA, developed assessment criteria to review each exemplar project. The criteria included accessibility, affordability and extent of social housing incorporated into the development. Each of the exemplar projects delivers one or more of the criteria. All six sites are still in the design stage, working closely with strategic partners, with building of the first houses anticipated to commence mid-2015. The exemplar projects incorporate Lifemark and Universal Design into all buildings and partner with community housing providers to deliver a percentage of affordable housing in private developments.
21. The Comprehensive Housing Redevelopment Mechanism established new planning provisions for areas with a high proportion of social and community housing. The mechanism enables redevelopment and regeneration of existing communities in specific areas of Christchurch. The mechanism requires that a proportion of the development is for social and community housing. To date six applications have been lodged under this mechanism totalling 119 units. Further applications are expected under this mechanism.

Infrastructure and services

22. New greenfield subdivisions require supporting infrastructure such as public transport, community facilities, and schools. Urban areas with poor infrastructure such as no bus routes, are car dependent. This makes living in these areas prohibitive to people without a car, and ultimately increases the cost of living.
23. Given the significant development currently being undertaken in the Canterbury Region, managing the infrastructure to support new development has been critical. A goal of the Recovery Strategy is to *'Develop resilient, cost effective, accessible and integrated infrastructure, buildings, and housing and transport networks – by:... having a range of affordable housing options connected to community and strategic infrastructure that provides for residents participation in social, cultural and economic activities'*⁶. Introduced through the LURP, Policy 6.3.3 of the Canterbury Regional Policy Statement requires developments to:

'Demonstrate how effective provision is made for a range of transport options including public transport options and integration between transport modes, including pedestrian, cycling, public transport, freight, and private motor vehicles'

⁶ The Recovery Strategy for Greater Christchurch, 2011, page 11

24. The LURP introduced the Enhanced Development Mechanism (EDM). The EDM acts as a 'floating zone' within close proximity to business centres, open space and public transport. The EDM is not fixed to certain areas and can move where new amenities are developed. The intention of the provisions is to promote infill and intensification within existing urban areas already supplied by amenities and services.
25. Although designed as immediate intervention for recovery purposes, the uptake of the EDM has been limited.

District Plan Rules

26. The Christchurch City Council is currently reviewing its district plan. An All-of-Government submission was made on Christchurch City's proposed replacement district plan. The submission outlined that in order for the replacement plan to enable an increase in the supply of housing and provide a range of housing types it must:
 - provide greater opportunity for intensification;
 - streamline and simplify consenting processes;
 - support the building of a range of housing types including affordable housing;
 - enable redevelopment of existing urban areas; and
 - encourage innovative design.
27. One key concern of the Crown is the requirements for Lifemark Home Design Standards in the proposed replacement district plan. The Crown considers that while laudable in intent; it confuses the boundary between Resource Management and Building Act matters. By making such requirements a rule in a district plan, although promoting better quality houses, it threatens the affordability of homes and streamlining of consenting processes. The rules are onerous to administer and will add an unnecessary and unreasonable layer of complexity, delay, cost and uncertainty to the process of obtaining building/resource consents. CERA considers such matters are better addressed with national consistency through the Building Act 2004 or through non-regulatory incentives.

Response to Questions

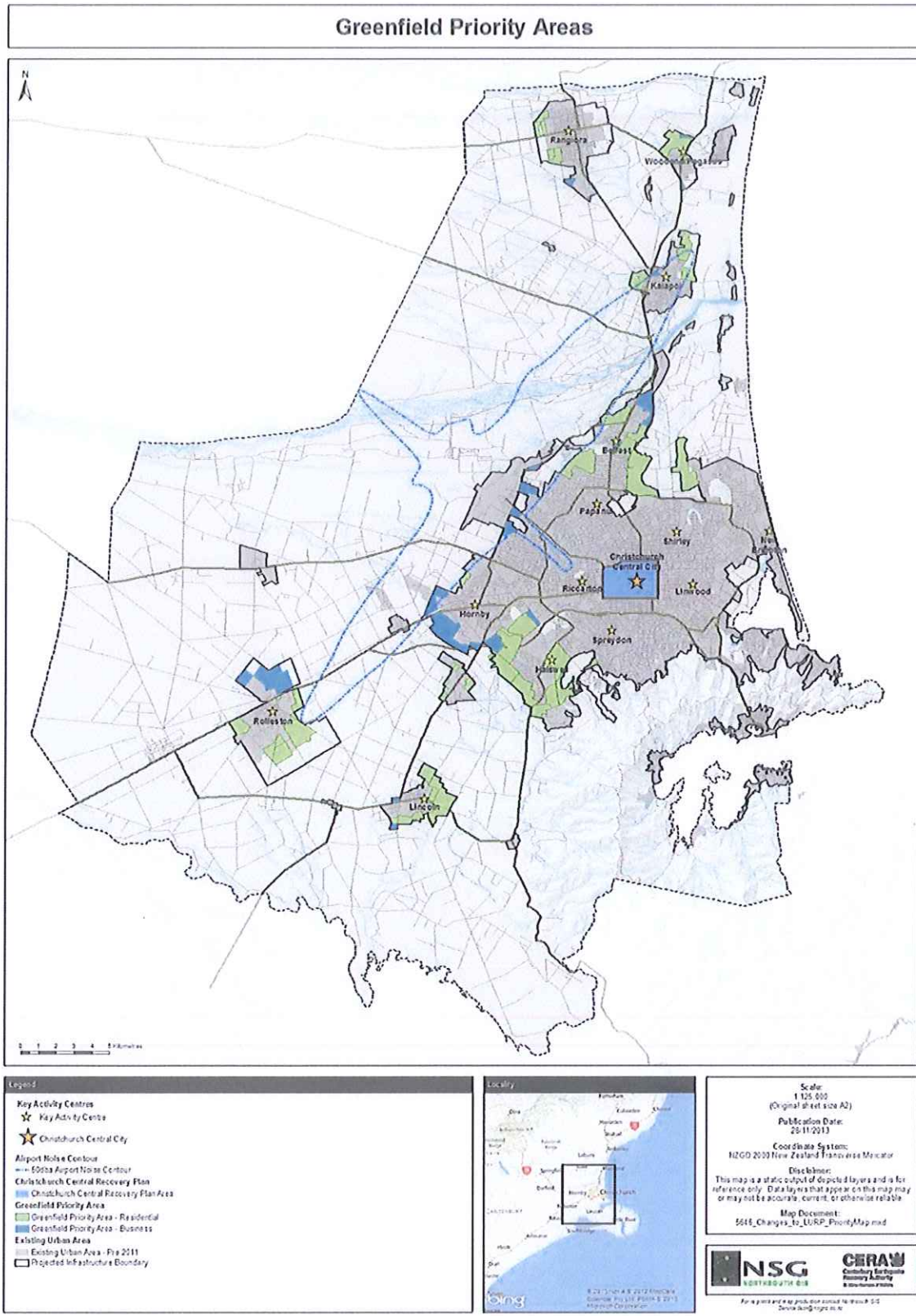
Q73 *Are there wider lessons for New Zealand from the planning and development processes that have been used in greater Christchurch?*

28. The challenges facing greater Christchurch are unprecedented with the number of dwellings lost and the need to re-settle such a large number of households in a relatively short timeframe. A number of lessons can be learnt on how the local and central government agencies have responded through planning and development processes.
29. The collaboration between the strategic partners and the pre-earthquake planning work undertaken by the Greater Christchurch Urban Development Strategy Partnership provided a critical platform for recovery of greater Christchurch.
30. Of particular interest is the use of the CER Act to amend RMA documents through an expedited process. The Minister for Canterbury Earthquake Recovery used powers to facilitate a number of subdivisions within greater Christchurch through the use of section 27. Furthermore, amendments were made to RMA documents to facilitate more development through rezoning land and to provide a range of housing. This is an example of how local and central government have worked with stakeholders in order to support recovery.

31. Land supply in greater Christchurch has since reached a stable position where there is adequate land zoned to meet demand. However, this has not necessarily equated to a supply of appropriate housing. Furthermore, the additional supply of land has not decreased the price of sections and has not created more affordable housing. A similar issue has been noted with the intensification provisions. The ability to develop land at a greater intensity in existing urban areas has been introduced through the LURP, as discussed in the 'Housing density and intensification' section (refer paragraphs 12-17). Although the City Plan rules have been relaxed to encourage intensification, this has not resulted in a significant increase in dwellings in Christchurch City.
32. The LURP review (refer paragraph 37) will examine these concerns and investigate greenfield and intensification development further. The review will help to determine the reasons for the low uptake which may include low developer appetite and low financial incentive. CERA suggests that the inquiry could look into the barriers and incentives to intensification, including the non-regulatory measures to encourage land development

Q74 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?

33. Land supply has been addressed in the LURP through identifying greenfield priority areas in the Regional Policy Statement. This facilitated the fast-tracking of land for development that would have been otherwise unavailable for a number of years.
34. Councils had already been looking to make more land available for development through the Greater Christchurch Urban Development Strategy, however the LURP provided the opportunity to bring forward the release the land earlier than through traditional RMA processes.
35. Map A on the following page shows the Greenfield Priority Areas outlined in the LURP. It inserted the map into the Regional Policy Statement, the overarching document for the region and enabled the Christchurch City, Waimakariri District and Selwyn District Plans to be amended, prioritising greenfield development.
36. The LURP directed the Councils through a series of actions to rezone areas of land identified in the Regional Policy Statement for priority development. Actions also required Councils to look at how to encourage and facilitate further intensification. The LURP reduced the time to make changes to planning rules by utilising the Minister's powers (section 24 and 26 of the CER Act).
37. A Monitoring Report is currently in the process of being drafted and will be able to show the impact of the LURP in making land available for housing. The monitoring of the LURP will be available by May 2015 when the Commission releases the draft report. Environment Canterbury has commenced the LURP Review process with any recommendations likely to be provided to the Minister for Canterbury Earthquake Recovery by September 2015. This review will look at the delivery outcomes of the LURP, its implementation, incentivising development, and the next stages of the actions of the LURP.



Map A: The Greenfield Priority Areas identified in the LURP

Conclusions and Recommendations

38. To summarise:

- a) The need for intensification in greater Christchurch has been recognised through the LURP and the Christchurch Central Recovery Plan. CERA suggests that density at which land is developed could be investigated in greater depth in the inquiry. CERA considers there to be barriers beyond the regulatory framework for providing intensification. Non regulatory mechanisms may be a solution to achieve high quality affordable housing.
- b) The LURP has recognised the integration of infrastructure and services during the development phase of new subdivisions with the introduction of Policy 6.3.3 into the Regional Policy Statement. CERA suggests that the inquiry investigates the effectiveness of this policy and others of a similar nature around the country.
- c) CERA considers that Lifemark Home Design Standards are better addressed with national consistency through the Building Act 2004. Further investigation on non-regulatory incentives for meeting Lifemark Home Design Standards may be useful.
- d) The pre-existing collaborative partnership between the local authorities and NZTA was critical in forming the foundations required to provide a clear direction and holistic approach for the recovery of greater Christchurch. The draft LURP was founded on the substantial pre-earthquake work undertaken by the Greater Christchurch Urban Development Strategy Partnership. This approach could be replicated throughout New Zealand.
- e) The use of CER Act powers to make changes to RMA documents was critical in facilitating housing recovery. This allowed for the rezoning of land for residential use and intensification mechanisms in existing urban areas. These changes would have taken longer through traditional RMA processes.
- f) A large number of lessons learnt through the recovery of greater Christchurch during the recovery could address housing supply issues in other cities in New Zealand.