

New Zealand Productivity Commission

Using land for Housing Issues paper – November 2014

New Zealand Productivity Commission

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About the author of this submission:

The author has professional qualifications and 30 years' experience to General Management and Managing Director level in property development in NZ and overseas, including developing in Texas and the use of MUD development methodology. Development style experience includes Greenfield and Brownfield subdivision developments, resorts, gated communities, apartments, new town developments, managed apartment developments, operational management companies, and the importation of Prefab. Housing.

In reply to Questions.

Q1 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?

A1 The issue is that the definition of what is an externality and how that affects people has not been defined properly. At its broadest definition, anything that I consider affects me is an externality. I can own a property in Invercargill and be upset (affected) by a high rise redevelopment in Auckland. This has led to anyone anywhere being able to be affected. This has also caused a counter intuitive polar opposite criticism of anyone that is against any change that is next to them being labelled a NIMBY. Again a word with no formal definition.

My definition of a NIMBY is anyone who denies other people the ability to do what they did. Importantly, what is not a NIMBY is a person who objects to something that is different from what they did that immediately affects them as defined below.

This vagueness of what is a legally objectable externality needs to be legally defined as at present it gives people the impression that any negative thought they have about a project/development gives them the right to object, even though that development is nowhere near them.

The start of how to define these externalities must start from your property and move outwards. Central Govt. rules regarding quality of water into the property, etc. provide adequate protection. Local council rules regarding sunlight, shading, noise, smells are all presently covered. Developer covenants add further restrictions on how the properties within the development relate to each other.

A property owner should only be able to object to any changes that relate to the above. Note that 'views' are not part of an ability to object. And if it's one externality that creates many objections is that of what people call an objectable view.

This lack of definition is also apparent in the word 'affordable.' What constitutes affordable housing? There are a number of definitions in use from a house is afford if the service cost does not exceed 30% of net household income per annum, to the purchase price should not be more than 3 x medium household income.

The present definition used by the status quote is the 30% Of net household income, which by their own definition means that most housing is affordable and we do not have an affordability issue. The fact that the commission exists and submissions have been requested on why housing is becoming increasingly unaffordable highlights that this definition for housing is not appropriate, at least not just by itself.

The Commission should consider having definable definitions that those like council must use to measure their success, or not, of supplying affordable housing

Q2 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?

A2 The current land planning and development system needs to be changed to such a great extent that it would effectively be a completely different system.

The Commission should look at land planning and development system in use in other countries, like Texas, that provide truly affordable housing and provide for stable housing prices.

The Commission should talk and engage with those professionals and knowledgeable people in NZ that have experience and a high degree of knowledge, both in truly affordable markets like Texas and the NZ market, to find out how to implement these different planning systems in NZ.

Q3 What criteria should the Commission consider in evaluating the current land planning and development system in New Zealand?

A3 The criteria should be to provide services on behalf of ratepayers with the minimum of non-value added costs and the maximum of value added costs. For further information on the systems thinking approach to non-value added and value added costs please go to www.vanguardmethod.com .

Since the commission is tasked to look at housing affordability ie in recognition that housing is not affordable. The main criteria it should start with are the target of housing affordability. Therefore if housing is becoming less affordable, as it is, then the criteria used to date ie the measures and targets used, cannot be said to be the right criteria to use in achieving housing affordability.

The commission needs to recommend that the right criteria (measures and targets) are used.

Further answers to the following questions expand on the required criteria and why the present criteria do not work.

Q4 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?

A4 Under the present system an increased supply of development capacity will not and has not lead to an increased supply of affordable housing, so the answer to this question is self-evident. This, again, is because there is no understanding and consensus of what the definition of development capacity is. For example, the present administration is using the increase in the number of sections consent and/or developed as an increase in supply and therefore by default will lead to an increase in affordable housing. The number of sections is seen as a target that once achieved will automatically mean more affordable sections. This shows a complete lack of understanding of property development, and land economics.

The target is not number of sections per se but affordable sections. The number of sections can be a measure of achieving the target of affordable sections but can never be used as the only measure in achieving the target of affordable sections.

That is why the present administration is puzzled, that in spite of meeting what they think is the target ie the number of sections, that housing is becoming less affordable. They are using the wrong target.

The reason that the increase in sections has not achieved more affordable housing is simple. Firstly if the land has been purchased at an inflated value, there is NO WAY that land can be developed and delivered to the market at a price that allows affordable housing to be built. Secondly with the way services are linearly supplied by council, and the time and cost of the council process, means it is impossible to develop sections and build affordable housing under the present system.

You can build a lot more sections, but not affordable sections.

The commission needs to clarify what the target is and the measures needed to achieve the target.

If the right target was defined and the measures taken, then it is pretty obvious to those with the experience to know what needs to happen to achieve more affordable housing.

Q5 What data sources will be most useful in identifying effective local authority planning processes for the development of land for housing?

A5 The best data sources would be to measure the time taken to process consents (as measured from the customers' perspective) and the amount of positive feedback from their customers, and falling section prices based on reduction of real costs, not due to a falling market. As mentioned above other data sources like the amount of section and building consents are meaningless unless they show evidence of making housing more affordable.

The commission needs to collect data from the customer's perspective and sales price data.

Q6 Are there other local authorities exhibiting good policies or practices in making land available for housing that the Commission should investigate?

A6 The commission seem to be of the opinion that because an authority experiences growth that it is best experienced in knowing how to accommodate it. However the evidence shows exactly the opposite. Those authorities that experience the highest growth also have the most problems in providing enough supply to meet demand.

This author can categorically state to the reader that the low growth authorities are far more responsive to making land available than the larger authorities.

Yet they are all operating, supposedly, from the same set of regulations. The difference is simple, size, attitude and motivation. Smaller authorities actively encourage growth, work far more collaboratively with developers but as they grow and become more inefficient, they create all the same bureaucracy those larger authorities suffer from.

One of the best examples I have personally had, has been with the South Taranaki District Council.

The commission needs to investigate why working with smaller councils is more efficient for developers than working with larger councils and why this process breaks down, considering they are working to the same rules, once the council comes under growth pressure.

Q7 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?

A7 In the commissions report, it makes this statement.

'The Commission welcomes evidence on urban planning policies and practices from other countries, regions or cities, but is particularly interested in examples from jurisdictions that have similar legislative and policy planning frameworks to New Zealand (eg, Australia, the United Kingdom and Canada). Similar jurisdictions are more likely to have policies or practices that could be successfully adopted here.'

Unfortunately in the above underlined statement the commission shows a lack of understanding about why we are in the mess we are. There is no logic or rational to assume that 'similar jurisdictions are more likely to have policies or practices that could be successfully adopted here.' In fact, when you review those similar jurisdictions (Portland, Australia, UK) they all have unaffordable housing, and the most affordable housing is from the jurisdiction that is the least similar to ours

(Texas). Similar jurisdictions use the same dysfunctional system, and have the same problem ie unaffordable housing. The fact that many of them use subsidies, and have to resort to smaller and

smaller housing to achieve home ownership for a section of the population that increasingly includes the lower middle class are not useful policies and practices that offer useful lessons.

This author has first-hand experience in working and developing property in Texas (and NZ property), and can categorically state that the Texas system is far superior in being able to deliver stable affordable land, section and house prices in any economic condition.

The commission needs to investigate how Texas can have a high per annum growth in GDP and have high immigration rates, low interest rates, and manages to provide adequate supply to meet demand in developer real time, resulting in stable affordable housing.

Q8 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?

A8 No Comment.

Q9 How easy is it to understand the objectives and requirements of local authority plans? What improves the intelligibility of plans?

A9 The plans have gotten increasingly more complex and complicated over the years to the point that they can only be interpreted by 'professionals.' This has added time, people and cost into the system even for relatively minor processes. It is increasingly difficult to ensure that your plans are fully compliant with council procedure, not just because of the difficulty of understanding the plans, but the councils use this as a start position and their monopoly position from which to start to negotiate 'value capture' and 'betterment levies.' A developer cannot read a plan and then present his development plan as per his end vision (even when they those objectives and requirements comply fully with the objectives and requirements of the local authority plans), because council will use that as the starting point from which 'negotiate' other gains. Therefore developers tend to under present and through 'negotiation' with council, hopefully end up where they could have if they had been able to submit their final plan with having to go through this betterment and value capture game with council.

The commission needs to look at making recommendations to council to simplify local authority plans down to core requirements and also remove councils ability to use betterment and value capture as negotiation tools as to whether approve, or not, a development.

Q10 Is ensuring an adequate land supply for housing an objective of current District or Unitary Plans? If so, what priority is this objective given?

A10 Ensuring land supply and **affordable** land supply is not necessarily the same thing.

This question should be about ensuring adequate AFFORDABLE land supply. By councils own measures, YES they do ensure adequate land supply as an objective, but as the evidence shows one of the objectives is not affordable land supply as if it was, we would have affordable land supply, but we don't.

Councils quote how they have 'x' number of consents sections available. This number is not a 'now' number in that this number cannot or will not be developed right now. Reasons for them not being developed now include, the land being used for other purposes with the owner not wanting to convert it into sections eg farmers. Also land being deliberately withheld from development to maximise price eg Land bankers. Also one of the infrastructure providers not being able to supply the infrastructure until a latent demand has been built up to justify the large capacity works they think is necessary to start.

The commission needs to make sure that ensuring affordable land supply is an objective of District or Unitary Plans and that they are judged on whether or not they achieve that by evidence of whether the land is affordable as defined in my answer to Q1.

Q11 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?

A11 The issue is the present system has given people the expectation that if they 'think' they are affected then they can comment. By all means inform all people, but the criteria for being affected needs to be far more prescriptive.

The commission needs to look at making sure a national policy on educating people on what 'affected' means so the quality as opposed to quantity of comment is approved and make use of limited discretion notifications so those that are truly affected are identified by the developer and council are the only comments that are taken into account.

Q12 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?

A12 No comment

Q13 How can the Plan development process be improved to increase the supply of development capacity?

A13 The commission needs to recommend that council becomes proactive in providing the framework for developers to react to market demand in developer real time without having to continually go to council as a reaction to a market opportunity.

Q14 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?

A14 The answer to this question is self-evident – the fact this commission is needed is because supply is not keeping up with demand.

The commission states ‘A core ingredient of effective land use planning is forecasts of housing demand and supply.’ This author, in having experience in property development both in NZ and overseas, disagrees with this state, and I would go further in saying that because councils try to assess the supply and demand it causes them to miss what they should be doing. For starters, even for experienced developers, the actual demand of the market is very hard to predict.

The key to successful development is to be able to react in real time to the market, ie as it happens. If the market increases then supply can be increased at the same rate, and just as importantly, if the market declines, then supply declines in line with it, and there is very little if no holding costs on remaining undeveloped land. The system for land development in Texas allows for this to happen.

What council should be doing is not try to predict the actual amount of demand in the short term, but provide the legislative long term frame work for developers to easily react to the short term demand when it does happen.

There are no local authorities that are good at supply and demand forecasts, but in the authors experience there are authorities that are good in reacting to developer demand in developer real time. However, this ability to react is only because of the council’s motivation, ie it is eager for growth, but because it is operating under the same dysfunctional system as all councils, if they were put under any demand pressure, they would revert to the same behaviour as all high growth councils.

But as an example of a council reacting to demand in developer real time, this author identified a market opportunity to development a medium size subdivision on the edge of a small rural town. The land was rural which would require a private plan change, and it was purchased subject to approval. Because of the small size of the council they had contacted to private companies most of their professional services. I obtained the councils permission to use these same professionals to design our subdivision and in effect the council became our JV partners. The subdivisions was notified, but in my experience as the majority of objections are because of the objectors lacking

information. We provided full information and were able to have minimal objections and were able to negotiate a mutually beneficial solution to the few we did have. I had also obtained council's permission to market the subdivision off the plans subject to approval. From time of land purchase to approval was 9 months, and 100% sales were achieved over this time. The key was councils motivation and helpful nature, the use of the same professionals' for services and plan guidance, and because we had purchased the land at the rural price, it gave us the financial ability to easier accommodate the genuine affected parties wishes.

It should be noted that at NO time had council tried to assess supply and demand.

The commission should recommend that councils should only plan to provide the framework for the inevitable growth that happens over time, but leave it to the developers to provide that infrastructure when the market demands.

Q15 How well do zoning decisions in District Plans and infrastructure planning in Long-Term Plans reflect demand and supply forecasts?

A15 Because most councils' are converts to smart growth philosophy, they do not plan to meet demand for green field's growth as it is counter to this philosophy, yet LGA and RMA rules have encouraged anyone and everyone to object so councils have had problems in getting increases in urban density.

The commission should recommend that councils focus on supplying affordable housing by introducing systems that reduce non-value added costs, and not push philosophies that cause unaffordable housing.

Q16 How effective are local authorities in ensuring that the rules and regulations governing land use are necessary and proportionate?

A16 The real question is effective, necessary and proportionate for who and to what end? If it means for the ratepayer and to achieve affordable housing, the answer is no.

They might be very effective, necessary and proportionate in keeping the status quote, but as the result show, the status quote is not working.

Again I go back to other jurisdictions like Texas that PROVE that high economic growth, low interest rates AND AFFORDABLE housing is possible with very few rules and regulations governing land compared to NZ.

The Commission needs to recommend legislation that allows Texas style rules and regulations governing land use that are necessary and proportionate to achieving affordable housing.

Q17 What are the characteristics of the most effective processes for testing proposed rules, Plans or Plan changes?

A17 No Comment.

Q18 How effective are local authority processes for connecting decisions across the different planning frameworks? Which particular processes have been successful? What explains their success?

A18 No Comment.

Q19 What impact does transport planning have on the supply of development capacity?

A19 Transport planning has very little impact on short term development capacity. Developments tend to happen irrespective of transport planning or I should I say lack of it.

The congestion that has been happening driving between Christchurch Council area and Waimak Council area is due to development without regard to transport capacity. Also NZ is well serviced by good quality rural roads that feed into cities. Of all the infrastructure issues, transport affects developments the least in the short term.

Q20 Are there examples of effective integration between regional policies and district plans, and what are the features of processes that lead to effective integration?

A20 No comment.

Q21 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?

A21 There are unnecessary rules and plan requirements nationwide due to the LGA and RMA. These rules add non value added costs so the housing is more expensive than it needs to be and the amenity value is reduced. Jurisdictions like Texas further prove that these rules and plan requirements are unnecessary as they achieve affordable housing without these rules and plan requirements.

The commission should recommend that rules and plans that add non value added costs be removed from the system.

Q22 How important is it that rules for development and land use provide certainty?

A23 It is very important that rules for development and land use provide certainty as the higher the uncertainty, the higher the risk, the greater the need for reward, all which translate into higher house prices.

The commission should recommend rules for development and land use that provide the greatest amount of certainty.

Q23 Are rules consistently applied in your area? Is certainty of implementation more important than flexibility?

A23 Rules can be supplied consistently in an area but inconsistently across different areas. Certainty of implementation and flexibility are not mutually exclusive and there is no reason why the right rules cannot provide both.

The commission should recommend that councils use rules that provide certainty of implementation and flexibility.

Q24 Which local authorities have the best approach to implementing land use rules or Plan requirements? What makes their approaches the best?

A24 No Comment

Q25 Do second-generation Plans take a more flexible or enabling approach to land use control?

A25 No Comment.

Q26 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?

A26 No comment.

Q27 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?

A27 Many developers like me work in more than one local authority. Variation in planning rules and the different interpretation of the same rules across councils complicate, delay and add unnecessary cost to the process of developing land for housing.

The commission should recommend the use of consistent rules and consistent interpretation of the same rules across all authorities.

Q28 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?

A28 No Comment.

Q29 Which processes are most important to applicants for providing consistent and efficient assessments of resource consent applications?

A29 No comment.

Q30 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?

A30 Yes resource consent processing times result in unnecessary delays. Whether or not changes to processing timeframes will address delays or not, needs to be viewed from the customers' perspective. Council are providing a service to a customer. If you want to know if the service is being met, you do not ask the service provider, you ask the service receiver. It is a failure of central govt. to ask the right question to the wrong person. Do not ask council if they are meeting timeframes, ask the customer.

The commission needs to ensure that councils ask the customer if the timeframes that are specified are being met, or not, and that this is the only end measure used to determine if the targets are being met.

Q31 What explains the variation between jurisdictions regarding requests for additional information and use of stop-the-clock provisions when assessing resource consent applications?

A31 No Comment.

Q32 What are the impacts of notification on the supply of development capacity? How could the processes surrounding notification be improved?

A32 Notification or even the ability to be notified has an impact on the supply of development capacity. As the commission has noted, in avoiding being notified, developers have sometimes not achieved the best land use outcomes. As previously stated, I am of the opinion that the lack of a clear understanding by central and local Govt. about the definition of what 'affected' means has given all people the thought that any negative thought they might have means they are affected and therefore have a legitimate right, not just to be heard, but their thoughts actioned by council.

And further, the reasons they might have a negative thought, is due in many cases to having not enough information about the development being notified, and there lack of understanding about what being 'affected' means. It is natural to have concerns (naturally negative emotion reaction) when asked to give an opinion on a subject that you have been told 'affects' you, but to which you have insufficient information on which to form a rational opinion.

The commission needs to ensure Govt. uses appropriate definitions on what 'affected' means. Then councils need to communicate these definitions and rights clearly to their ratepayers so they become more knowledgeable. Part of these rights would be penalties for any vexatious objections. Further, only those individuals that may truly be affected are notified (ie limited notification), and that developers provide all the information needed to these people to further educate them on the development in question.

Q33 What explains the reduction in the prevalence of pre-hearing meetings?

A33 Initially developers needed to get guidance on the ambiguity of the changes in the LGA and RMA so sort pre-hearings to obtain clarity. They now have a better understanding on how councils will interpret the wordings, but this should not be interpreted as agreeing with these definitions. In effect developers now understand the rules of the game better, even though the outcome may be worse.

Q34 Which local authorities make the best use of pre-hearing meetings? What factors best contribute to successful pre-hearing meetings?

A34 No Comment.

Q35 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?

A35 No Comment.

Q36 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?

A36 No Comment.

Q37 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?

A37 The definition that council uses to determine if the conditions are fair and reasonable are bias and totally subjective based on their own ideology. Their interpretation of the LGA and RMA in this regard as lead to the very reason why we have unaffordable housing and why this commission has been formed. It is not ‘fair and reasonable’ for ratepayers to be burdened with extra costs, both in capital and operational costs, when there is ample evidence that shows if different methods where used, far better outcomes can be achieved with far lower costs.

The commission needs to ensure that what is ‘fair and reasonable’ is defined as achieving the desired outcome for the most cost effective means possible for the end user ie homeowner/ratepayer. This means truly affordable housing.

Q38 In your experience, what impact do conditions on resource consents have on the viability of development projects?

A38 Conditions on resource consents have a huge impact on the viability of development projects?

Q39 Which local authorities have been most successful in providing coordinated decisions over applications to use land for housing? What explains their success?

A39 No comment.

Q40 Are there issues relating to the process for challenging or changing decisions which impede the supply of effective land for housing?

A40 Any issue that slows down the development process adds time and cost which results in either the development not going ahead irrespective of the validity of the councils challenge decision or if the developer successfully over comes the council challenge then further costs are incurred which must be passed onto the end user.

Q41 Compared to other processes of relevance to land release and development, how important is the ability to obtain a Plan change or variation? Why?

A41 Plan changes or should be allowed **as of right on all land** subject to basic rules around environmental conditions and infrastructure provisions that the developer has to provide. This allows developers to develop land in a developer real time so as to quickly meet market demand. The ability to do this would be similar to how land is developed in Texas and would help to start the process needed to break the land bankers' monopoly and enable land to be purchased for development at closer to the rural land price.

The commission needs to recommend that plan changes are automatically allowed subject to basic rules around environmental conditions and infrastructure provisions.

Q42 How easy is it to obtain a Plan change or variation in your area? What are the major barriers?

A42 The major barriers to any plan change is that because it does not already meet what the council had decided, it is likely to be resisted by council. The greatest barrier is council thinking they already know what is best for that area.

The commission needs to remove the ability for council to decide what the best use of the land is.

Q43 Do council-led Plan changes or variations help or hinder the supply of development capacity?

A44 They general hinder the development capacity as it is based around them trying to pick the requirement of market demand, and council's ability to service that demand.

Q44 What is your experience working with the infrastructure component of the land supply system?

A44 I have extensive experience in working with the infrastructure component of the land supply system including the use of Texas MUD developments and NZ developments including NZ MUD style developments.

Q45 Are there particular aspects of the system, or particular types of infrastructure, that are problematic?

A45 Wastewater and councils handling of this type of infrastructure is the most problematic of infrastructure type.

Q46 What are the opportunities to improve this part of the land supply system?

A46 There are many opportunities to allow developers to develop their own infrastructure schemes and for the owners within that development to retain ownership and to manage them.

The commission should recommend that developers are allowed the right to put in their own infrastructure and for the end user to retain ownership if that will result in more affordable housing.

Q47 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?

A48 There is insufficient alignment of the provision of infrastructure to support housing.

The commission should allow developers to seek or to provide themselves the most cost effective form of infrastructure so as to provide true competition within this area.

Q48 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?

A48 No Comment.

Q49 What comparative information about the provision of infrastructure to support housing should the Commission be aware of?

A49 There is much comparative information that can be gained from looking at how development infrastructure is provided in Texas.

Q50 Is there evidence that territorial authority debt levels are acting a barrier to the provision of infrastructure for housing in rapidly growing areas?

A50 No comment.

Q51 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?

A51 It is not so much the variability as to why they should cost what they do in the first place. In many instances developers can put in better and cheaper infrastructure if they did not have to use the councils default system, in particular wastewater.

Q52 Are there particular examples of good practice regarding infrastructure charges?

A52 No comment.

Q53 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?

A53 I have run a model analysis with known costs of a subdivision development in NZ under the present planning and development rules versus the same subdivision developed under the Texas rules. The Texas scenario resulted in NZ land being developed for less than ½ the cost versus the NZ planning and development rules.

I can show the commission how land can be developed for less than ½ the price than present.

Q54 Do development contribution policies incentivise efficient decisions about land use, or do they unduly restrict the supply of land for housing?

A54 Development contribution policies unduly restrict the supply of land for housing. Or to be more precise restrict the supply of land for AFFORDABLE housing

Q55 Are development contributions used exclusively to drive efficient decisions about land use, or are they used to promote broader goals?

A55 . Development contributions are meant to be charges that reflect actual costs incurred because of development. However, these charges are far in excess of the actual costs. Extra costs only add to making housing less affordable.

Further the excess is used by council on other projects that may provide no benefit to the development from which they are collected, or worse are used to offset subsidises that council give to other developers which are in competition to the developer from which the development levy was collected.

The commission should require councils to clearly show how development levies charges relate directly to the development from which they are being charged against.

Q56 How effective have the recent changes to development contributions been that were introduced in the Local Government Act 2002 Amendment Act 2014?

A56 I have not seen any effectiveness as of yet, but that may be due to the changes having only been recently introduced.

Q57 What is the likely effect of long-term infrastructure strategies on the availability of land for housing?

A57 The likely effect on the availability of land for housing will be exactly the same as it is at present ie unaffordable housing. It's not the idea of needing a long-term strategy; it is council's definitions and implementation of that strategy that is wrong.

Q58 Do councils in high-growth areas require a greater range of approaches for funding infrastructure?

A58 ALL councils require a greater range of approaches for funding infrastructure, not just the high growth areas. Also this question makes the assumption that councils are the only ones providing infrastructure. The reality is the developer is the main provider of infrastructure, which is then vested in council. There should be far greater range of approaches for funding infrastructure for developers.

The commission should recommend that infrastructure funding be made available for developers.

Q59 What alternative approaches for funding infrastructure should be considered in New Zealand's high-growth areas?

A60 The commission mentions MUDs as an alternative funding mechanism. This author has extensive experience in the use of MUD's. It should be noted that the funding mechanism used in MUD's is only one of the reasons for their success and in fact the whole is greater than the sum of its parts. Also MUD's are a developer tool, not a council tool. MUD's remove the risk on developing infrastructure from the council (ie the ratepayer) to the developer so is a far safer policy for council.

However developers in NZ would be unwise to try to use MUD infrastructure funding (if made available) without first having control over the other variables that make a MUD successful as to do so would increase their risk. That is, the other variables that the commission mentions like development levies, council process that add time and cost, like inflated raw land prices due to land banking etc., all issues that MUDs do not have.

The use of betterment levies is just another development/financial levy by another name and adds unnecessary cost into the system and has no place in trying to make housing more affordable.

The commission need to look at all the variables that make MUD's successful and allow developer free access to them, with councils role being to support their use.

Q60 What are the main advantages and disadvantages of having infrastructure vested in Council Controlled Organisations?

A61 No Comment.

Q61 Does the use of Council Controlled Organisations create challenges with respect to integrated provision of infrastructure to support housing?

A61 Yes it does create challenges in respect to integrated provision of infrastructure to support housing do to as they are using ideologies and methodologies that create extra non-value added costs that result in housing being less affordable than it should be. This question makes the assumption that council are best placed to provide integrated provision of infrastructure.

The commission needs to recommend that councils provide infrastructure using methodologies that are compatible with achieving affordable housing and also allow other organisations the ability to provide the same.

Q62 Has the National Infrastructure Plan helped promote coordination of infrastructure investment? Is there sufficient integration between central and local government infrastructure planning?

A62 No comment.

Q63 What impact does heritage protection have on the supply and development of land for housing?

A63 No comment.

Q64 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?

A65 No comment.

Q65 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?

A66 No comment.

Q66 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?

A66 Aggregation of land for Greenfield housing development is more difficult in NZ than it needs to be. This is because of the use of restrictive boundaries, causes growth that will eventually happen to be into land that is in smaller fragmented pieces, ie into lifestyle blocks. There is no ability for the developer to leap frog past these blocks onto large parcels of land. Also because council tries to make developers connect to council infrastructure, which tends to need a minimum size for scale, owners of smaller blocks that could put in private infrastructure are unnecessary excluded.

The commission needs to recommend that developers can purchase land to development irrespective of urban boundaries, or better yet, abolish urban restrictive growth boundaries.

Q67 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?

A67 Public agencies for land aggregation are a solution to a problem as the commission has stated. I think the commission needs to take a two staged approach ie implement policies so in areas that are not affected by these constraints, then such agencies would not be required ie do not create the problem in the first place. However for many areas where land is fragmented then a public agency may be required. I think if MUD style developments were allowed and this was followed up by the threat of a public agency for land aggregation, or its use on a small scale to show intent, then supply of affordable land would increase dramatically.

However, the commission makes mention of public land aggregation as a means for the public to receive any betterment/value capture gains. When I see these statements it highlights the complete lack of understand about the purpose of increasing land supply. Increasing land supply is to enable prices for land for housing development to reduce in price. That is, there is NO betterment or value capture to be had if done correctly. The only value to be had is by adding value through the process of converting the land from raw land to a finished ready to be built section. The value added reward being a fair and reasonable profit margin. All the other processed of land banking, unnecessary council involvement and costs are non-value added costs that are exploitive and have nothing to do with supplying truly affordable housing.

The commission needs to recommend that development practises allow land to be bought and developed in the most cost effective method, without any non-value added cost, and that public agencies that are involved are required to support these goals.

Q68 To what extent do central or local government policies and practices prevent or discourage landowners from selling or developing land for housing?

A68 This question is a book in its self. But in summary it is very self-evident that Govt. policies, especially local, prevent and discourage landowners from selling or developing land for housing due to the high cost of housing and the need for this commission.

The commission needs to recommend that Govt. implement policies that DO NOT prevent or discourage landowners from selling or developing land for housing, ie not the present policies.

Q69 How much land in New Zealand is being held in anticipation of future price rises? What evidence is there?

A69 In its simplest form, all land is held anticipation of future price rises? But there is various expectations of what this increase should be, some will be at the rate of inflation to hold value, some will increase in price due to added value by value-added development, but because of present policies and systems most land in NZ increases in price by non-value added methods. Some of these non-value added methods are restriction of supply by MUL and RUB, which encourages land

banking, and council bureaucracy that added unnecessary time and cost. The evidence is in any research paper, newspaper, developer, land banker, home owners etc. that commission wants to talk to.

The commission should recommend policies that only allow price increases due to inflation and value-added development.

Q70 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?

A70 No comment.

Q71 How common is the use of covenants in new housing developments? To what extent are private covenants restricting the supply of development capacity?

A71 Covenants are very common in new housing developments and are used by developers and home owners to provide certainty of use and to allow people who share common values to live by each other. In the big scheme of why housing is unaffordable in NZ, covenants have very little effect on restricting the supply of development capacity. In my opinion covenants should be similar to Body Corporate Rules eg that those affected by the covenant's should have to vote for any suggested owner changes with a majority greater than of say 75% needed come into effect. However, basic owner covenant/zoning rights like sunlight, shading, noise, smells etc. would be protected unless the individual property owner agreed.

This would allow for generational evolution to occur in developed areas which would be driven by market trends. It would also allow owners that retained the same sense of purpose over generations to retain the status quote.

The commission should recommend that covenants allow this above flexibility.

Q72 What are the advantages and disadvantages of the Housing Accords and Special Housing Areas Act 2013 and of its implementation to date?

A72 There is a fundamental flaw in the concept of the housing accords and Special Housing areas that means there has been no advantage in the implementation of affordable housing as the evidence of house prices shows. The SHA actually highlight to land bankers which land is up for development next. And as the SHA are a smaller areas in a possible theoretical larger amount of available land, then they are in effect a smaller release of land than what is theoretically possible, and thus are a further limiting of available land, NOT an increase as the proponents' think. This puts further pressure on land prices. An increase in prices makes it impossible for housing to become more affordable.

This restriction of land availability, both in theory and practical development terms allows land banking and other speculative behaviour and high non-value added prices to be achieved.

By allowing all land to be available for development at any one time prevents land banking and speculative behaviour and allows development conditions to exist like they do in Texas.

The commission needs to recommend policies that allow all available land, in theory, to be developed at any time so both land supply and affordable land can be developed.

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

A73 Yes there are lessons to be learnt. As the commission noted about the LURP:

The LURP directs Environment Canterbury, Christchurch City Council, and the Selwyn and Waimakariri District Councils to amend the Regional Policy Statement and District Plans with the objectives of:

- *opening up new land for housing and business;*
- *revitalising town and suburban centres;*
- *promoting opportunities to re-use vacant brownfield sites; and*
- *providing opportunities for more housing within existing*

communities. Changes made by the LURP include:

- *the introduction of targets for the number of new households to be provided through infilland intensification up to 2028 (with supporting changes to District Plans);*
- *amendments to the Christchurch City Plan, enabling existing homeowners to provide rental accommodation by converting individual dwellings into two units, or by using an existing family flat as a rental unit (CERA, 2013).*

Unlike Plan changes made under the RMA, these cannot be objected to or appealed.

The word 'affordable' is not mentioned once in the above LURP statement.

As prices for sections have continued to rise in value in the Christchurch area, one of the biggest lessons to be learnt is IF YOU DON'T MAKE AFFORDABLE HOUSING AN OBJECTIVE OR TARGET IT DOES NOT HAPPEN.

The objectives and targets used by the LURP are not conducive to achieving affordable housing. The release of more land by the method presently used does not by itself achieve more affordable land.

One of the obvious reasons for this of course is unless the land being released was purchased at an affordable price, ie close to the rural land value, then you cannot create affordable sections even if the land is available, consented and developed. And of course the land in question is the result of land banking that happened years ago prior to the introduction of the LURP, or has been purchased

recently at full land bankers margin so has been purchased at multiples of ten to thirty times its rural land value.

The commission needs to get Government, both central and local, to focus on the right targets as a starting point to achieving affordable housing and to implement methods, systems and strategies from jurisdictions like Texas that have a proven record in achieving affordable housing. And what I mean by affordable is on a like for like comparison, not cutting section sizes and house sizes in half and calling that afford.

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?

A74 If the LURP was meant to do what everyone one thinks it should achieve at the end of the day ie affordable sections then you would see section price decreases not only on \$m2 rate and total price, but also as a % of section cost relative to house costs. You are seeing none of this. In this regard the LURP has been as failure.

The commission needs to look at why the LURP has failed to deliver truly affordable housing as I have defined above.

The author appreciates the opportunity to make this submission.

Please feel free to contact me should you need clarification or further information on any point.

Regards

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