

Your ref:
Our Ref: A2145533



4 August 2015

NZ Productivity Commission
info@productivity.govt.nz

Dear Sir/Madam

Bay of Plenty Regional Council's submission to the NZ Productivity Commission draft report – Using Land for Housing

Thank you for the opportunity to comment on the above submission. The Bay of Plenty Regional Council does not wish to be heard on this submission.

For matters relating to this submission, please contact Kataraina Belshaw at Kataraina.belshaw@boprc.govt.nz or 0800 884 881 ext. 9323.

Our Organisation

The Bay of Plenty Regional Council is responsible for the sustainable management of resources within the Bay of Plenty region. Our role is determined by Central Government through statutes such as the Local Government Act and the Resource Management Act, and is different from that of territorial authorities (district and city councils). Some of our key roles are:

- Regional planning for land, water quality and air quality;
- Setting environmental management policies for the region;
- Allocation of natural resources;
- Flood control;
- Natural hazard response;
- Soil conservation;
- Pest control / biosecurity;
- Public transport;
- Strategic transport planning;
- Regional economic development; and
- Strategic integration of land use and infrastructure.

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BOPRC ID: A2145533

Working with our communities for a better environment

Summary

Please find our detailed comments attached. We trust you find them constructive.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Fiona McTavish', with a stylized flourish at the end.

Fiona McTavish
General Manager Strategy

THE BAY OF PLENTY REGIONAL COUNCIL'S SUBMISSION TO THE NZ PRODUCTIVITY COMMISSION DRAFT REPORT – USING LAND FOR HOUSING SUBMISSION:

Reference	Position	Recommendation
<p>Chapter 2: Cities, Growth, and Land for Housing</p>	<p>The question of suitability of NZ's planning system to deliver "fast track" housing is uncertain. Regardless of "system", land release requires access to affordable infrastructure creating a raft of downstream impacts that require assessing. For example, urban land release can affect nearby roads and may require impacts on traffic to be assessed to ensure appropriate mitigation is designed into the development (usually at the structure planning stage, but if structure plans have been developed without this information, it may be a requirement of subdivision). In Tauranga City development can affect (directly or indirectly) the State Highway network serving Port of Tauranga. Not only must the current development proposal be considered, but modellers must also consider developments that have been consented but have not yet been given effect, requiring Councils and developers to have access to very good quality information and to understand the full range of impacts arising from the permitted baseline. This can be a complicated process – particularly in congested, growth oriented areas where critical infrastructure capacity may be held in consents that have not yet been given effect.</p> <p>In our opinion land price differentials across a MUL may as much reflect the premium placed on access to services as regulatory impact (i.e. in our case the MUL presents a physical/practical reality – services beyond this line, outside this schedule are extremely unlikely). Developers seek certainty which if provided by an MUL leads to a premium being paid. The same certainty could be provided by a 30 year infrastructure plan alone. It is not known whether, in the absence of an MUL, a plan for future infrastructure roll-out alone would result in the same price premium. The main alternative - no plans at all, or excessive land provision, will have enormous funding implications for Councils</p> <p>In our case, an MUL is provided on the basis that it provides certainty, but mindful this benefit is balanced against several costs.</p>	<p>Nil.</p> <p>BOPRC generally accepts the analysis noting in practise things tend to be a lot more complicated than is presented.</p> <p>Although regulation has costs and these can be excessive, public involvement is essential to help navigate uncertainties. We do not support over-reliance on economic analysis (as important as it is), which relies on multiple assumptions (economic growth, demand for product, percentage engagement in workforce, migration, technical substitution) and is therefore far from perfect.</p> <p>Access to good quality data and agreed national priorities in relation to a range of non-priced or poorly priced goods could help councils develop quality policy, but requires high quality, public funded research if decisions are to be materially improved.</p>

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<p>Chapter 3: Integrated Planning</p>	<p>BOPRC supports the use of spatial plans to help integrate land use decisions.</p> <p>In addition, BOPRC is a member of the Upper North Island Strategic Alliance (UNISA) - a partnership between Auckland Council, Northland, Waikato and Bay of Plenty regional councils, Hamilton and Tauranga city councils and Whangarei District Council. The aim of UNISA is to manage and respond to a range of inter-regional and inter-metropolitan issues. By working together UNISA councils have identified a number of common issues in relation to the supply of housing land, but have also identified they face a number of specific issues. UNISA at-large supports place-specific approaches. There is common acknowledgement in UNISA of a need for more national guidance on long term strategic issues such as population and urban growth, supported by integration between the RMA, LGA and LTMA. The need to examine additional and alternative approaches for funding infrastructure in higher-growth areas is also commonly expressed. Because high-growth councils face specific issues which low-growth councils do not face, a place-specific approach to urban planning in the growth areas of the country is supported</p> <p>This region has diverse communities and strong drivers favouring some areas over others. Our East, in particular, is experiencing population decline – in part, seemingly, due to the attractiveness of larger cities. From our region-wide perspective we see opportunities for joint solutions to difficult problems stemming from economic and demographic forces affecting everyone. Spatial plans are not necessarily <u>the</u> only solution, but are a good tool to engage people in the discussion.</p> <p>We note that although Councils have relatively good asset management systems there is little to no openly available data on the state of public network infrastructure. For example, we have been unable to find data communicating intersection congestion, wastewater capacity and land availability which might help the market (not just larger-scale developers) innovate and make better use of land.</p> <p>In our view government departments are very willing to engage in</p>	<p>BOPRC supports use of intensification targets and has targets in place for the Western Bay of Plenty sub-region via the Bay of Plenty Regional Policy Statement ('RPS').</p> <p>We note that current Land Transport Management Act priorities do not necessarily <u>directly</u> align with a desire for more affordable housing. Nevertheless, the current LTMA process has done a good job reconciling different values with genuinely important investments priorities being identified.</p> <p>We do not support Treasury having a greater role in plan development. Schedule 1 of the RMA requires the Crown to be consulted during plan preparation. In our experience the Crown has taken almost no interest in local plans and needs to engage more in the processes that exist now before seeking further statutory powers.</p>

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	<p>discussion about spatial trends affecting their business. They (like other businesses) need certainty and seem happy to talk to us where they can see benefits.</p>	
<p>Chapter 4: Supplying and Releasing Land</p>	<p>The BOPRC/SmartGrowth uses land supply targets to ensure <u>suitable</u> land is available for growth. Some of this land is more challenging to develop and feasibility is therefore an important consideration. We agree, “good land” has mostly been taken up with areas of peaty or steep land now the main options outside current settlement plans. There are relatively large areas of versatile (LUCI Class 1 and 2) land in the region but caution against assuming this land’s use for housing is demonstrably “better” long term than productive uses.</p> <p>While there are some practical challenges precisely tracking land uptake the greater challenge is predicting demand.</p>	<p>BOPRC supports site specific planning tool to enable rapid land rezoning, subject to reasonable checks and balances to ensure release is properly “assessed”.</p> <p>The Western Bay of Plenty sub-region has important tracts of versatile and productive land which planning provisions now protect.</p> <p>In our experience, land conversion from rural, productive use to urban goes one-way and land will not return to a rural use if market conditions change.</p>
<p>Chapter 5: Regulation and Approvals</p>	<p>BOPRC acknowledges regulation <u>can</u> impose unnecessary costs and supports initiatives to reduce these. However, we caution against over reliance on economic models for all of the answers. The MRCagney review of balcony rules (for example) concludes the burden of cost does not reduce health problems – and in the context of this review infers, all things equal, we should reconsider requiring balconies. While, on one level, we accept that in the absence of demonstrable benefit is certainly a good reason to reconsider the (costly) requirement, as the authors readily admit in other works, planners, Councils, communities themselves are enmeshed in complex local dynamics and must consider a range of other considerations too (there being plenty of examples of poor ‘affordable’ apartments too).</p> <p>In our view there are no simple answers to complex social issues such as access to ‘affordable’ housing. Changes to the RMA to focus more on urban issues are unlikely to materially change requirements for back room processes to provide serviced “ready to go” land. Regulation a small part of a problem that is more to do with excess demand, poor returns from other assets and a property-oriented, speculative “psyche”.</p>	<p>BOPRC supports requiring rigorous policy analysis but cautions against over-reliance on a narrow tool set. We caution against the presumption obtaining the “right answer” is simply a matter of gathering enough “facts” . In our experience facts are scarce and assumption laden.</p> <p>In our experience RMA s32 requirements are sufficient to promote rigorous policy analysis. Should Treasury or others wish to be more involved in planning processes existing mechanisms should be used.</p> <p>In principle, proposed changes to the RMA removing unnecessary bureaucracy (if shown to exist), are supported.</p>

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<p>Chapter 6: Planning and Delivering Infrastructure</p>	<p>BOPRC has a very limited role planning infrastructure, with its major area of infrastructure focus being flood alleviation and control. However, through the RPS we help coordinate infrastructure by providing a degree of timing certainty. We are in broad support of the chapter theme that infrastructure use needs to be optimised. In this regard we note few if any Councils make the state of their infrastructure well known or discoverable on line.</p>	<p>BOPRC supports the thrust of this section noting the desire to make best use of existing infrastructure can conflict with developers seeking to maximise greenfield development profits.</p> <p>We feel the 5 year default period for designations may be too short but consider encumbering land for much longer can create other challenges including financial risk for the requiring authority (provisions of the Public Works Act apply if the designation impedes reasonable use). The previous 10 year designation period was reasonable.</p> <p>BOPRC supports plan standardisation (including development codes) where possible but notes differences arise for a number of reasons (including different access to aggregate, plant, skills and different community values). Historically, under broadly similar standards, housing has been more affordable suggesting the problem lies elsewhere.</p> <p>For larger cities standardisation should be possible.</p>
<p>Chapter 7: Paying for Infrastructure</p>	<p>BOPRC has funded “Infrastructure” development projects in Tauranga (University campus, Marine precinct) and has had requests to pay for other growth-related infrastructure. In the future we are likely to face further pressure to free up regional wealth for this purpose.</p> <p>The challenges TAs face determining where development should locate are no different to those the region faces. We too want to make the best possible investments and face a variety of competing demands. Striking the correct balance between support of one area at the expense of outcomes elsewhere is a difficult challenge.</p> <p>BOPRC supports user charges in some circumstances (such as managing water demand). However, our experience is that user charges can mask risky decisions. In Tauranga City, for example,</p>	<p>BOPRC is unconvinced new funding tools can achieve much more than a “shuffling the deck chairs”.</p> <p>Development costs eventually fall where they lie which is either on ratepayers or new occupants. Whether taken from rates, via contributions, as a tax, or through reduced levels of service, people pay, with flow-on consequences. Increased use of targeted rates to recoup costs of growth enabling infrastructure at the level of individual developments poses the risk of creating an unwieldy overall rating system.</p> <p>In our view some form of spatial plan with development costs and well assessed alternatives as part of plan development is needed in all growth areas.</p>

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	<p>user charges intended to fund “Route K” failed to break-even imposing considerable ratepayer costs. This route is unlikely to have been funded had these charges not been available.</p> <p>In our opinion a very important but less discussed question is the affordability of current levels of service. We see very little evidence infrastructure costs declining but plenty to suggest ability to pay may well [decline].</p>	<p>We recommend a greater focus on the affordability (at large) of current levels of service and, as is beginning to be the case here in Tauranga, a focus on “just in time” and multipurpose delivery (i.e. storm water corridors for walkways/cycleways etc)..</p>
<p>Chapter 8: Governance of Transport and Water Infrastructure</p>	<p>The report's lack of certainty around the relative value of CCO's appears reasonable. CCO's and public authorities tend to use the same (limited pool) consultants and thus probably tackle problems in similar ways. Costs savings of one over the other are probably relatively small. In the Bay of Plenty, given the number of smaller communities and difficult geography, an infrastructure CCO would probably only make sense in the larger (Tauranga) urban area (potentially stretching a bit beyond – i.e. Omokoroa sewage is treated in Tauranga).</p> <p>The LTMA now requires the development of Regional Land Transport Plans with a minimum 10 year outlook and a 6 year forward planning horizon for significant projects. The LGA also requires local authorities to develop 30 infrastructure strategies. However, central government funding decisions for transport infrastructure through the National Land Transport Programme (NLTP) only project 3 years ahead.</p> <p>The status of projects in the NLTP are also subject to uncertainty as very few are ‘approved’. Most projects are ‘probable’ or ‘proposed’ meaning more information is required before a final funding decision is made. In practice, this clouds certainty of the Crown's commitment to key enabling infrastructure (i.e. the Tauranga Northern Link in the Bay of Plenty) making land release decisions all the more difficult for local authorities. The same reasons (risk, uncertainty, forward financial commitment) that challenge Crown long-term commitments apply to Councils – illustrating the complexity of this issue.</p>	<p>Consistent with other recommendations BOPRC recommends not applying “a one-model suits all” governance approach. We also caution against oversimplification (assuming what works in one place will work elsewhere, or being overly simplistic about goals). For example, the One Network Classification system for State Highways is very simple, and clear, and in practise means national objectives (i.e. freight efficiency) can override local considerations. In this case, one of the main impacts is a massive increase in typical development costs as they must now integrate with the highway with minimal disturbance (if allowed to connect at all).</p>
<p>Chapter 9: Shaping local behaviour</p>	<p>Communities appear to want <u>good</u> growth.</p> <p>If not well planned, growth in Tauranga City could require a further (costly) expansion of Tauranga Harbour Bridge. This would have huge costs and is best avoided. In this case (as an example), growth</p>	<p>Local communities have an important role in decision-making. We believe some land release problems arise because relatively simple, community-based processes become litigious. Urban limits and other such RPS regulation, and National Standards/Policy can reduce appeals in subordinate documents.</p>

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	<p>to a point is desirable, but beyond this point, may not be. There is also some evidence that growth needs to proceed consistent with the stock of available natural resources (from which many jobs, directly or indirectly, stem).</p> <p>We agree that some parts of the planning system appear to have been captured by squeaky wheels and self-interest and acknowledge the importance of quality data and analysis to inform meaningful debate.</p> <p>The debate on using land or capital value based rating systems is likely to draw considerable attention and differing views between Regional and Local authorities. Bay of Plenty Regional Council uses land value and the exacerbators are more directly related to land value e.g. flooding exacerbation is related to land area. This line of reasoning is more likely to be a feature of Regional authorities as opposed to Local authorities who may consider that capital value may more closely reflect the number of people per property which drive demand for services such as libraries.</p>	<p>We do not recommend removing public participation but subject to safeguards to ensure development is properly assessed, question the relevance of some parts of Part 2, RMA, to the urban setting.</p> <p>We support the finding that land value based rates are a better system than capital value based rates.</p>
<p>Chapter 10:: Planning and Funding our Future</p>	<p>We have mixed views on the need for an urban development authority. Our present SmartGrowth model works well. In our region additional powers would be very hard to administer given the very high rates of Iwi in the region, Māori land ownership, Treaty claims and settlements. Papakāinga developments are often inhibited by District Planning policies and rules, unless an urban development authority can influence enabling mechanisms, they would be limited in their capacity to service Māori.</p> <p>Unable to see the connection between what the Ture Whenua Māori Act review is proposing, re a “Māori Land Service” and the proposed ‘urban development authority’ – overlapping roles?</p> <p>We agree developer “value capture” appears to be an issue and share concerns that urban limits such as those we have for the Western bay can play into the hands of a few developers. “Value capture” considerations could make plan changes even more contentious particularly in the case of lost value. As stated elsewhere, we have no clear solution to the problem.</p>	<p>We consider an urban development authority to be unnecessary.</p> <p>Support statement F10.6 (pg 284): Any proposal for compulsory acquisition of Māori land would face sensitive Treaty issues. Any regime to compulsorily acquire land for housing developments needs to recognise both the associated risks and positive partnership opportunities</p> <p>We consider that while removing the rating exemption on Crown owned land has benefits, it is ultimately unlikely to be successful. Valuation of some crown owned land, such as Department of Conservation land is likely to be contentious.</p>

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	<p>Removing the rating exemption on Crown owned land could provide a further incentive to Crown agencies to release surplus land. In the short term this would create a transfer of costs from rates to taxes. Care would need to be taken to ensure that potential rates 'savings' are returned to ratepayers rather than treated as a windfall gain.</p>	