



# FEDERATED FARMERS OF NEW ZEALAND

Submission to the Productivity Commission on the  
review into Using Land for Housing 2015

04/08/2015



# SUBMISSION TO THE PRODUCTIVITY COMMISSION ON THE REVIEW INTO USING LAND FOR HOUSING 2015

Name of submitter: Federated Farmers of New Zealand

Contact:

**DAVID COOPER**  
SENIOR POLICY ADVISER

**P** 03 4777361  
**F** 03 4790470  
**M** 0274 755 615  
**E** [dcooper@fedfarm.org.nz](mailto:dcooper@fedfarm.org.nz)

Address for service: Federated Farmers of New Zealand  
PO Box 5242  
Dunedin 9058  
New Zealand

This is a submission to the Productivity Commission on the review into Using Land for Housing 2015.

## Section 1: Introduction

- 1.0 Federated Farmers welcomes the opportunity to provide feedback to the Commission's Using Land for Housing draft report ("the draft report").
- 1.1 Federated Farmers agrees that efficient land supply is of importance to the price and quality of housing. Low housing affordability, as with all sustainable development issues, is a national concern warranting a national discussion. At the micro level a lack of affordable housing creates social and economic issues and reduces the capacity for New Zealanders to invest in alternative assets beyond housing. From a macroeconomic perspective this contributes to New Zealand's long-running current account deficits and its negative external debt position.
- 1.2 Foremost, we agree that there are unnecessary constraints on New Zealand's land supply and that there are instances where national and local issues are out of alignment. Federated Farmers is of the view that the local planning system could work better to provide for sustainable growth, including better providing for housing development. We have long argued, for example, that local regulation could include objectives and policies that better provide for economic concerns.
- 1.3 The Federation submitted to the Productivity Commission's Issues Paper on Using Land for Housing. We supported the Commission's review, but sought to highlight the implications from a primary production/farming ratepayer perspective, including:
  - The significant amount of former primary production land now under alternative land uses (including land now used for housing);
  - The potential loss of productive land as a result of further greenfield development;
  - The type and nature of housing demand;
  - The need to ensure that local government adapts appropriately to specific local issues/challenges (including the ability to zone land in response to actual and forecast local drivers).
- 1.4 As the Commission's review focusses on identifying practices that are "effective in making land and development capacity available to meet housing demand", these concerns are largely outside the scope of the review. Nonetheless we see the concerns outlined above as possessing important implications, and seek that the review recognises the need for territorial authorities to respond to the specific challenges their particular communities are facing.
- 1.5 Federated Farmers regularly submits to territorial authorities on their resource management and financial planning documents, and many rural and smaller city councils are not facing the challenge of providing for housing growth. They are instead focussed on retaining a population necessary to maintain existing infrastructure. Statistics New Zealand's current population forecasts paint a similar picture of populations choosing to settle in and around our larger cities.
- 1.6 These demand factors are largely uncontrollable, and the issue is how to best respond. However, in those areas not facing significant forecast growth, restrictions on greenfield development for the purpose of providing for primary production may not only be

reasonable, it may be the best possible option to provide for the economic and social wellbeing of these local communities.

- 1.7 Therefore, we seek a balanced and largely enabling response to the challenge of housing affordability. Federated Farmers agrees that any regulatory response should involve the provision of a planning framework that can more effectively respond to these concerns, by outlining the considerations that are relevant to housing affordability at the local level, and how these might be impacted by local planning responses.
- 1.8 As a general comment, we support a number of the Commission's high level points in respect to suggested areas of improvement. We agree that:
- The planning system could work better; more specifically that greater central government involvement would be of use where national concerns are materially impacted by local planning;
  - Spatial planning is a useful tool to achieve integrated management between what are often myriad and contradictory territorial authority objectives and policies;
  - Public land could be used more efficiently;
  - There should be an increased application of user charges, particularly for water services, and the removal of prohibitions on tolling and congestion charges;
  - Opportunities to use Crown and local authority land in high growth cities that is suitable for residential development should be identified;
  - Land regulations need to better match costs with benefits;
  - The exemption that means that the Government currently doesn't pay council general rates on Crown-owned land should be removed.
- 1.9 We are particularly supportive of the recommendation to remove the current exemption for Crown-owned land from paying rates. We consider this an opportunity to better provide councils with additional funding to provide for better infrastructure. Further, by ensuring Crown-owned land equitably contributes to any community costs related to the use of that land, there is an additional driver for the Crown to consider efficient (appropriate) usage of that land.
- 1.10 We are more cautious on the proposal to establish urban development authorities. We consider this an area that could be better addressed by ensuring central and local government work together more effectively to outline the objectives and policies required to ensure efficient provision of the necessary land for housing, within each local context.
- 1.11 For example, in Auckland this would require the relevant Central Government departments working with Auckland Council directly to agree upon a co-ordinated plan, and then working together to implement that plan. We consider urban development authorities would simply add another layer of bureaucracy to the issue while reducing the potential for benefits from strategic planning and implementation between the required authorities.
- 1.12 We consider a more direct relationship between Central and Local Government will lead to better integration between national and local strategic objectives and identify further areas for integration between areas of mutual or overlapping responsibility.

## 2.0 Primary concerns with the draft report

- 2.1 While we address the specific questions posed in the draft report in section 2 of this submission, there are two areas of significant concern we particularly wish to highlight.
- 2.2 The importance of primary production - As addressed above, Federated Farmers is concerned about the wholesale use of greenfield development without appropriate consideration given to the way this may reduce the land available for, and as a result the value and benefits derived from, primary production.
- 2.3 Broadly, the report addresses the potential loss of productive capacity by underlining that this will always be a tension; and that land use will naturally lead towards the highest value in terms of direct value to the landowner. Broadly we agree with this perspective, and we certainly support the ability for landowners to make decisions around the best or most effective use of their land.
- 2.4 However, the benefits derived from agricultural production extend beyond the direct benefits derived by the producer from that land use. Primary production offers the opportunity for significant 'value added' through processing, packaging and exporting. This value is not directly reflected in the price of the land; as a result 'best use' is captured only in an indirect (downstream economic) sense and is not reflected in relative property prices.
- 2.5 Further, there are a number of nationally significant benefits derived from the production and processing of food within New Zealand, including geostrategic considerations. While these are well outside the scope of this review, the Federation seeks to highlight these concerns to ensure there is sufficient weighting given to primary production, as well as affordable housing. This would assist in meeting other central government objectives which could be impacted by the Commission's review, including the Government's goal of doubling the value of exports by 2025.
- 2.6 Land value as a basis for rating - The draft report notes, in Chapter 9, that Council rates are a type of tax which "can influence a landowner's decisions about how they use their land". The report notes that capital value rating systems tax the improvements on land and so "at the margin, owners are discouraged from developing land or intensifying development on it". The report favours a land value rating system because this "encourages land to flow to its highest value use".
- 2.7 As a representative of farmers who are reliant on relatively large amounts of land to make their living, Federated Farmers is keenly interested in local government funding in general and rating in particular. Most councils are significantly or overwhelmingly reliant (depending on the relative costs of their activities and the availability of alternative funding) upon property value based rates. The resulting effect on farm businesses is significant, as land and its improvements make up a considerable portion of the capital invested. Subsequently even small decisions around the basis for rating or the use of rating tools can significantly impact the costs farmers face.
- 2.8 The problem with achieving equity between communities in the allocation of rates on a land value basis has produced a trend in local government toward capital value. Capital value is widely regarded as the more equitable basis for funding community services, and

more efficient as the tax base is wider and suffers fewer distortions than the more narrow land value basis.

- 2.9 Local government rates are not 'just a tax'. Equity and efficiency in relation to council rating includes a requirement to consider the benefits a property derives from, or the contribution a property makes to the costs of, each council activity.<sup>1</sup> Subsequently, rates should be allocated following an appropriate consideration of these specific factors. The marginal deterrent to develop is not one of these factors, nor should it be.
- 2.10 Our particular concern is the equity between different types of land uses (residential, farming, industrial and commercial) where changes in the use of rating tools can result in very significant swings in the allocation of costs. We suspect the report's focus has largely been on the impacts between residential ratepayers only, and we would encourage the Commission to review some of the background papers to the 2007 Rates Inquiry, particularly "Trends in the Use of Rating Tools Nationally to Fund Services" (Covec Limited, 2007) as some of the findings of these background documents were not made entirely clear in the final Rates Inquiry report.<sup>2</sup>
- 2.11 From a farming perspective, a land value basis for rating without appropriate differentials would be ruinous. Without differentials, a pure land value basis for rating may result in a farm paying in the vicinity of a hundred times what a residential ratepayer would contribute for an activity for which they receive little to no additional benefit (comparing a \$70,000 land value residential property with a \$7 million land value farm). This is not equitable. The result would be that what was a slight or marginal deterrent to development under a capital value based rating system, would be overwhelmingly replaced by a significant deterrent to own and run farming operations.
- 2.12 While we are sympathetic to the need to reduce the local government sector's reliance on property value based rating overall, we wholly oppose the idea that land value should be a preferred funding tool for councils.

### Recommendations

- **Federated Farmers supports the Commission's Using Land for Housing draft report.**
- **The concerns we seek to address through this submission include the impacts of greenfield development on primary production potential, the implications of local government planning regimes for farmers and farming operations, and more broadly the keen interest of farmers in effective and efficient local and central government regulation.**
- **We agree that the concerns driving the review are of significance and require addressing at the local level; however we underline the need to ensure that territorial authorities retain or are provided with the necessary tools to address specific challenges within each local context.**
- **We broadly support the draft report as a positive step forward. We agree there needs to be better integration between national and local concerns,**

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<sup>1</sup> Under Section 101 (3) of the Local Government Act, 2002.

<sup>2</sup> Available at

<http://www.dia.govt.nz/diawebsite.nsf/067836c74bbfd7e0cc256831000e309e/279c81e2ae41f521cc25782600163513!OpenDocument>

and for a greater range of funding and planning tools to be made available to local government.

- We have two key concerns with the report. The first is the assumption that land use will naturally lead towards the highest value. While this is true in a direct sense, there are significant downstream economic benefits (including value add potential and geostrategic considerations) derived from primary production which warrant additional consideration.
- Our second key concern is the draft report's argument preferring land value as a basis for local government rating. Property value based rates are not 'just a tax'; for the sake of equity and efficiency there is a need for the relative contribution from a ratepayer to reflect the relative benefits derived from, or the relative contribution to the costs of, a particular activity from different ratepayers. The costs of a land value based rate to relatively large landowners, particularly farmers, would far exceed any marginal benefit in respect to incentivising development.
- We address the draft report's questions specifically in the following section.

## **Section 2: Responses to specific questions posed in the draft report.**

Federated Farmers supports the format of the draft report, which outlines the key findings and recommendations in a considered and logical manner, and links these to the subsequent questions.

### **Chapter 3 – Integrated planning**

#### Q3.1 Is there other evidence of the benefits or costs from New Zealand's spatial planning processes that the Commission should be aware of?

Federated Farmers supports the spatial planning approach. As acknowledged throughout the draft report, this provides for better, strategically considered integration between the various planning responsibilities of local government.

The spatial planning approach better provides for stakeholder engagement at the earlier stages of the planning process. Spatial planning offers the opportunity to get high level, strategic agreement on key objectives between various stakeholders, and engenders discussion around how these may be integrated within the planning frameworks.

This drives a need for early and informed engagement in a way that provides for efficient identification and management of tensions at the front end.

However, while our view is that spatial planning has made a positive contribution, it is noted that this has been specific to the larger cities. Spatial planning may not be cost effective in some regions and we consider there should be sufficient scope for the spatial planning approach to be adaptive to regional pressures and/or collaborative processes.

#### Q3.2 How could the longer-term development and infrastructure needs of cities better align with central government's fiscal cycle?

Federated Farmers supports the discussion which precedes this question and we consider the answer is appropriately identified in recommendation 3.7, that spatial plans should be developed in partnership with the full set of central government agencies whose services matter for the functioning of cities.

A key question is whether it is local government's development and infrastructure requirements that should align with central government's fiscal cycle, or vice versa. In relation to core infrastructure, local councils are likely to be responding to key drivers, providing scope for central government to better reflect these local pressures.

#### Q3.3 Are there other functions and activities that should be included in a new legislative planning avenue for cities?

As in relation to Q3.1, we believe there should be sufficient scope for the planning approach to be adaptive to each planning context, allowing for councils to include further matters as required.

#### Q3.4 What processes or mechanisms should be used to ensure that proposals for new land-use regulation in future spatial plan are subject to rigorous and independent scrutiny?



As identified, good regulatory analysis and design is not just arrived at through consultation with the community. In resource management matters a S32 report can define the scope of consultation and the type of feedback from the community, for both good and bad, as it plays a material role in informing the feedback through consultation.

We would expect that greater central government involvement in some areas, especially on proposed land-use regulations, would over time provide for better informed analysis at the local level. We would particularly welcome peer review by the Treasury's Regulatory Impact Analysis unit, to inform both council processes and the assessment of the community in respect to issues.

However, again this should be considered a two way process with the fundamental requirement being to reflect local concerns. We would not welcome a 'one size fits all' approach which attempts to apply the same tools to a lower growth region that it does to a high growth region like Auckland.

## **Chapter 4 – Supplying and releasing land**

### Q4.1 Should the public have improved access to property data such as the content of District Valuation Rolls and property sales data?

We consider this is a matter better left to the private sector, or that the information should be provided at central government level and used for a range of purposes (for instance, to provide better information on overseas investment both in housing and in farmland).

### Q4.2 What are the merits of statutory controls on subdivision covenants, such as time limits, restrictions on the subject matter in them, providing councils with powers to override them, or creating mechanisms to reduce the barriers to extinguishing them without unanimous consent?

Federated Farmers is cautious when it comes to the removal of property rights, in that we consider there needs to be some clear and justifiable matter of significance to be addressed. There are a number of reasons why a landowner may defer the decision to develop, and expected appreciation in the value of the underlying asset is only one.

We would support an approach which tailored the powers provided to local authorities in line with the assessed costs associated with the subdivision covenants within that specific area. Further, we would expect the onus to be on the authority to demonstrate the matter is of such significance as to warrant an action of this type.

### Q4.3 What impact would further narrowing eligibility to make further submissions have on plan change processes? If eligibility should be narrowed, which parties should be excluded?

Federated Farmers agrees with Finding 4.11, namely that "reforms that limit the ability of directly affected parties to make further submissions on proposed plan changes would be undesirable". Further, as an advocacy group we would not welcome eligibility being narrowed to the extent where we were not able to make submissions and further submissions to RMA processes on behalf of our members.

However, we have been involved in a range of RMA processes where an indirectly affected party has imposed significant cost to other parties for no great benefit to the matter being

discussed. We would welcome some further investigation into this matter, with a view to excluding frivolous or vexatious submissions that impose significant costs to other parties, including those developing property.

Q4.4 How should eligibility for notification and consultation on site-specific proposed plan changes be defined? Would the definition used in the HASHA Act or the 2009 RMA amendments be preferable?

Federated Farmers has no opinion on this matter.

Q4.5 What has been the experience of using independent commissioners to make planning decisions? Do independent commissioners provide sufficient rigour and impartiality to justify further limits on appeal avenues? Would there be merit in allowing local authorities to reject recommendations from independent commissioners?

Federated Farmers has found that, overall, the use of independent commissioners has improved both the processes around decision making and the quality of the decisions themselves.

However, the benefits of using independent commissioners will depend on each specific planning context. Federated Farmers would support additional guidance to councils on when and where to engage independent commissioners. While we acknowledge there would be some benefit, we are not wholly sold on the idea that independent commissioners would overrule the need to limiting further appeal avenues.

## **Chapter 5 – Regulations and approval processes**

Q5.1 Do other land use rules impose costs above their benefits? What evidence exists of excess costs?

Federated Farmers view is that other land use rules do impose costs above their benefits. We have outlined these concerns a number of times in respect to reform of the Resource Management Act, including a submission in 2013 to a Ministry for the Environment Discussion Document, “Improving Our Resource Management System”.

Our submission to this discussion document was informed by a 2007 independent survey of 2500 of our members receiving over 850 responses. The survey found that, even in 2007, the RMA was costing farmers collectively \$80.9 Million annually in compliance costs. The problems identified through the survey were:

- The impact on private landowners when councils set rules to protect nationally important values – the interpretation and implementation of section 6;
- Having to apply for resource consent for “normal” legitimate farming activities;
- Environmental advocacy by groups with no community mandate, or who live outside of the region;
- The time and expense of complying with planning rules and regulations set under the Act;

A large part of the issue in relation to costs exceeding benefits relates to the lack of broad recognition that plans governed by the Resource Management Act should provide for all four wellbeings; economic, social, environmental and cultural. However, the economic benefits are often assumed to be the responsibility of the private sector, not the regulator, with the result that the subsequent objectives lean towards protection, not sustainable use of the environment.

An additional concern is that the RMA does not provide for compensation in respect to restrictions on land use, including where these restrictions are motivated by national or 'public value' concerns.

As identified in respect to Q4.3 (above), Federated Farmers recognises that the proposal to reduce the potential for further submissions is one which requires a balanced consideration.

Additionally, as discussed in our response to Q3.4 (above), we believe there is sufficient room for better informed economic cost/benefit analyses for many proposals under the RMA. However, our concerns expressed through the submission to the discussion document mentioned above have been partially addressed by an enhanced set of expectations around section 32 of the RMA, the willingness of councils to 'front load' consultation to identify and address issues prior to official notification, and through the simple fact that many councils are now reviewing their current resource management documents and are able to identify unnecessary regulation.

Despite these improvements, the key area where our members most vehemently believe the costs associated with protection exceed the benefits relates to the protection of landscapes. Farmers consider that currently there is far too much focus on protecting a 'rural ideal', particularly in relation to 'second tier' landscapes that result in imposing costs and expectations on landowners, often for little reasonable justification and enabled by the fact these costs are largely bourn by the landowner.

Q5.2 What would be the costs and benefits of nationally standardising land use rules around the provision of telecommunications, gas and electricity infrastructure across all District Plans?

Federated Farmers agrees that there is some scope to reduce costs and delays by making greater use of electronic planning tools. However, we are cautious about developing national documents that are too prescriptive, particularly where the implementation of these planning documents imposes some additional cost on landowners without appropriately weighing or compensating for these losses.

Federated Farmers has had significant experience submitting to district planning processes as a result of the National Policy Statement on Electricity Transmission (NPSET). Our experience has taught us that the detailed planning response to the NPSET requires some consideration of the impacts on local landowners, and some consideration of the overall approach of each planning document.

In our submissions to Councils seeking to give effect to the NPSET we have sought to ensure that the implications for private property owners are not unnecessarily punitive. We underline the need to ensure that, unless there is a very good reason, private property rights should be protected. Solely focussing on the NPSET, there were (and continue to be) a number of discussions between TLAs, Transpower (as the owner and operator of the

national grid) and landowners or representatives of landowners like Federated Farmers around the detailed aspects of how the NPSET will be implemented; as a result the assumption that a national standard may reduce the complexity of these discussions may not be entirely taken at face value.

We imagine this would similarly be the case in respect to the emerging issue of land access for telecommunications infrastructure. Fundamentally there is a requirement for the owners and operators of this infrastructure to deal reasonably with affected landowners, and national standardised rules which assume, for instance, that the costs to landowners of housing infrastructure assets are insignificant, or that the public good benefit of citing the infrastructure wholly justifies the imposition on private landowners, would not be a welcome initiative.

There are also costs related to implementation. For instance, if a District Plan largely provides a 'permitted activity' framework, a national policy document which is inconsistent (for instance, one which ultimately requires activities to require a consent) can result in significant costs to both the council (through the requirement to prematurely review the relevant plan) and landowners (through land use restrictions) without appropriate consideration of these costs.

Our experience has also shown that there is no 'one size fits all' solution to many of these issues. What may be an issue given land topography and urban density in one area, requiring setbacks and buffer corridors of a specific size, may not be at all necessary or appropriate in another. Similarly issues around irrigation infrastructure or large scale farm buildings are often quite unique to a local district.

However, we would support a policy document which attempts to provide guidance on activities that should not normally be considered as having to require consents.

Q5.3 Does introducing nationally consistent land use rules or specific types of residential development have other possible benefits that the Commission should consider? What types of land use rules should be made nationally-consistent? Why?

Federated Farmers broadly agrees with the Commission's finding that the benefits of nationally consistent land use rules for specific types of residential development outweigh the costs.

We do however believe there is some scope for better guidance to plan developers, and the requirement for a more robust assessment of the impact of rules where these may place unnecessary restrictions on both development in particular and on land use more generally (for instance, for standard and expected farming activities in rural environments).

Q5.4 Would national direction on what residential land-use activities should be 'permitted' in RMA Plans provide net benefits? What sorts of activities should such a direction focus on?

Federated Farmers has no opinion on this matter.

## **Chapter 6 – Planning and delivering infrastructure**

#### Q6.1

- What are the main advantages and disadvantages of development agreements?
- What, if any, barriers exist that unnecessarily limit the uptake of development agreements?

Federated Farmers has no opinion on this matter.

#### Q6.2 What approaches do councils use to match infrastructure investment to changing demand? How successful are they?

Broadly, Federated Farmers has no opinion on this matter. However, through our involvement in submitting to council Long Term Plan processes over 2015 it has become clear that councils are reacting appropriately to the new infrastructure planning requirements placed upon them by the Local Government Amendment Act 2014.

These changes required councils to prepare an infrastructure strategy for at least a 30 year period, and to incorporate this into their long-term plans from 2015. The requirement for councils to plan to a 30 year time frame means that they have a better basis for establishing forecast requirements.

This better understanding of forecast infrastructure requirements, combined with short council planning processes (a long term plan every three years, and the ability to address issues through the annual planning process in intervening years), means that councils will now be in a better position to monitor and react to changes in demand.

We would consider it appropriate to await the full implications of these new planning processes before any significant additional change is made to council infrastructure planning.

#### Q6.3 How effective are existing initiatives to facilitate standardisation of approaches to asset management, resource sharing, and dissemination of good practices?

Federated Farmers does not have sufficient experience to comment on this matter, other than to note that from a stakeholder's perspective there could be some further standardisation, resource sharing and dissemination of good practices within the local government sector.

However, we note there has already been improvement in these areas and we would broadly support iterative, self managed processes within the sector in the first instance compared to wholesale or imposed change.

#### Q6.4

- Is the designation process sufficiently responsive to allow major infrastructure projects that unlock new land for housing?
- Should the default duration of designations be changed?

Federated Farmers has no opinion on this matter.

Q6.5 Has the SmartGrowth Property Developers Forum, or similar initiatives in other regions, been effective in managing tensions between developers and councils?

Federated Farmers has no opinion on this matter.

Q6.6 Is there a case for greater consistency of infrastructure standards? If so, what types of infrastructure would benefit from greater consistency, and at what level (regional or central)?

Federated Farmers can sympathise with the frustrations of those who face different rules and regulations between TLAs and regional bodies. Farmers often face similar frustrations in respect to resource management regulation.

However, in many areas there are good reasons for inconsistency in infrastructure standards, particularly in relation to the provision of or requirements for infrastructure which responds to local pressures. For example, the infrastructure demands for a lesser populated rural council will differ significantly from an established city council with low growth, which will in turn differ from a currently low population, high projected growth council.

For these reasons Federated Farmers would support some consistency in reporting and two-way iterative discussions on the requirements for infrastructure within the specific context of each TLA. We have observed that the NZTA are generally perceived by the local government sector as doing this well in respect to roading, and the implementation of the One Network Road Classification may offer some insights.

Q6.7

- What approaches do Councils take to facilitate coordination with infrastructure providers?
- Would there be benefit in establishing infrastructure forums modelled on the Auckland Infrastructure and Procurement Forum in other high growth cities?

Federated Farmers has no opinion on this matter.

## **Chapter 7 – Paying for infrastructure**

Q7.1 Is it correct that New Zealand's current system of rates means that a straight adoption of tax increment financing schemes used overseas is not suited as a funding tool for growth-related infrastructure?

Tax Increment Financing may be a useful tool to apply in high growth councils; these councils will be better placed to advise on this perspective. Clearly use of TIF as a funding tool is predicated on growth, and so we would not consider it appropriate for all councils, particularly not those councils with stagnant populations or population decline.

It is fair however, to highlight the fact that additional ratepayers in and of itself does not create additional general rates revenue. Additional ratepayers can create additional revenue through other sources (for instance, user charges for council owned infrastructure) and reduce the per person costs of infrastructure (for instance, in respect to sewerage, water treatment or roading, where there is a significant fixed capital cost which does not directly correlate to the population being serviced).

This latter point is best demonstrated through the relatively high rating imposition on ratepayers within lesser populated councils, or the lower offerings of ‘non-core’ services (more money spent on infrastructure, less on the ‘nice to haves’). In short, in many respects a higher population can act to reduce the per person cost of largely fixed infrastructure and resource management costs.

Federated Farmers is however in agreement that councils do not receive an appropriate share of any growth that results from infrastructure provision, and that this places significant costs on councils in high growth areas. We consider the most logical solution is a greater contribution from central government to local government where growth is a key driver for additional infrastructure spending.

As noted in the Commission’s report, growth and housing availability is a national issue; currently funding for the marginal infrastructure to accommodate growth is largely a local problem.

Federated Farmers would welcome additional support for local government in this respect. We have largely supported the findings of the recent Local Government Funding Review to this end.<sup>3</sup> Federated Farmers also has a long standing position that the local government costs related to roading should be reduced by an increase in the proportion of the local roading network funded through the Funding Assistance Rate (FAR).

#### Q7.2 Are there any barriers that are preventing developers from challenging development contributions?

We are not well placed to comment on the frustrations of developers. We do however support the use of development contributions to fund marginal costs associated with growth, particularly as an alternative to rates.

Federated Farmers supported the changes to the development contributions regime in our submission to the Local Government Amendment Act 2014. We agree that these amendments made development contributions fairer for developers, while ensuring the tools remained available for councils struggling with the challenge of meeting demand for growth, reducing the cost to developers by:

- *ensuring that developers are not charged for projects that don’t relate directly to their development;*
- *improving transparency and accountability of development contributions so developers and the community can challenge incorrect or inappropriate development contribution charges; and*
- *encouraging councils and developers to explore alternative ways to finance infrastructure for a development. Where a developer can provide the required standard of infrastructure at a cheaper price than the council, the savings can be passed onto new house buyers.*<sup>4</sup>

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<sup>3</sup> Available at <http://www.lgnz.co.nz/home/our-work/our-policy-priorities/3.-sustainable-funding/local-government-funding-review/>

<sup>4</sup> Available at <http://www.dia.govt.nz/Better-Local-Government#proposed1>

We would be interested in the developer's perspective on whether these amendments have dealt with frustrations sufficiently, or whether there is further need for change to the development contributions regime. However as a rule we support the retention of development contributions as a funding tool.

## **Chapter 8 – Governance of transport and water infrastructure**

### Q8.1 What other issues, if any, relating to the governance of transport infrastructure should the Commission be aware of?

Federated Farmers has no opinion on this matter, other than to note we would be cautious about requiring the NZTA to place emphasis on housing affordability at the expense of other important issues given the vital importance of roading to primary production.

### Q8.2 Are there significant scale economies in the provision of water infrastructure that could improve the efficiency of provision that are not being realised in New Zealand's high-growth cities?

Federated Farmers has no opinion on this matter.

### Q8.3 Would greater integration and clarity within the statutory and legal frameworks for water supply, wastewater and stormwater assist councils in providing the water infrastructure necessary to support urban growth?

Federated Farmers has no opinion on this matter.

### Q8.4 Does a case exist for introducing access, quality and price regulation for water services in New Zealand?

Federated Farmers has no opinion on this matter.

### Q8.5 How could the governance and funding arrangements for water infrastructure be improved to encourage providers to be more responsive to demands for new connections to the water network?

Federated Farmers has no opinion on this matter.

### Q8.6 Do the existing checks and balances that apply to Watercare provide sufficient oversight of Watercare's infrastructure growth charges? If not, what alternative measures would be most appropriate?

Federated Farmers has no opinion on this matter.

### Q8.7 Are there other regulatory requirements that apply to councils that should be extended to include CCOs?

Federated Farmers has no opinion on this matter.

## **Chapter 9 – Shaping local behaviour**

### Q9.1 Do the procedural requirements of the RMA's Schedule 1 discourage local authorities from undertaking more inclusive or innovative public engagement on city planning proposals?



Federated Farmers has no opinion on this matter, other than to note our experience since 2013 has been that councils are getting better at front loading consultation by engaging stakeholders and interested parties at the early stages of plan development, and this has been successful for both the council and those stakeholders in guiding good policy outcomes.

Q9.2 Does scope exist to introduce mechanisms such as the Brisbane neighbourhood plans into the New Zealand planning and development system? If so, how would it be implemented?

Federated Farmers has no opinion on this matter.

Q9.3 Would there be merit in a National Policy Statement relating to the provision of adequate land for housing? What would be the costs and benefits of such a statement?

As we have outlined in our introduction to this submission, lack of availability of land for housing is not a national issue. There are some regions, towns, districts and cities facing population declines. Therefore, it is an issue being experienced in some regions and TLAs with potential national implications.

An NPS is often a 'one size fits all' approach to solving an issue which can have unintended implications for the planning regimes in TLAs. We would consider there would be significant costs associated with drawing up and implementing an NPS for housing, costs which would likely outweigh the benefits in many low or no growth TLAs.

Therefore, we would favour better guidance to higher growth councils specifically, and better collaboration and resource and information sharing between these high growth TLAs and the relevant central government departments over a NPS for housing.

Q9.4 Would there be merit in expanding existing powers in the RMA to enable Ministers to direct changes to District Plans and Regional Policy Statements that provide insufficient development capacity to meet population growth? What would be the costs, benefits and implications of such a move?

Federated Farmers has no opinion on this matter, other than to note we would lean towards better collaboration and resource and information sharing between high growth TLAs and the relevant central government departments over a NPS for housing as a first priority. This is particularly the case as there may be a number of reasons why local planning regulations may be less responsive to housing demand than is expected, requiring a two way discussion on the barriers and the subsequent way forward.

Q9.5 What reason is there to think that the variance around assessed land values is different to assessed capital values?

Federated Farmers firmly questions the Commission's perspective that local government rates are a deterrent to development 'at the margin'; particularly as these marginal costs would be overwhelmingly outweighed by the likely expected returns through an increase in value of the underlying asset.

Further, as we outline in the introduction to this submission, the purpose of local government rating – for very good reasons – is to fund local government activities in an effective, equitable and efficient manner. As with any taxation, effectiveness, equity and efficiency are context dependent. In the rating context these are focussed on ensuring council activities are funded appropriately.

The proposal to move to a pure land value basis for rating would be ruinous for farmers, as it would result in a farm paying in the vicinity of a hundred times what a residential ratepayer would contribute for an activity for which they receive little to no additional benefit (comparing a \$70,000 land value residential property with a \$7 million land value farm).

This is not equitable, and the result would be that perceived slight or marginal deterrent to development under a capital value based rating system would be overwhelmingly replaced by a significant deterrent to own and run farming operations.

Federated Farmers considers there is potential for improvement in local government rating. We support a review of the funding tools available to councils, greater use of non-rating funding mechanisms, and more transfers to local government from central government where the latter is imposing costs on the former.

However, we firmly believe Local Government's system of rating should not be overhauled solely with a view to addressing perceived marginal deterrents to development. This would result in unacceptable changes in the allocation of rates and we would strongly oppose such a change.

Q9.6 What are the costs and barriers for a council in transferring from a rating system based on capital value to one based on land value?

As we outline in the introduction to this submission and in response to Q9.5, we are regularly and deeply involved in discussions around how council activities should be funded, and we have a particularly strong view on the draft's comments around land value versus capital value as a basis for local government rating.

We believe unequivocally that both the costs associated with changing to land value based systems, and the impacts of this transition on rural ratepayers (particularly farmers) without differentials in place to ameliorate the impacts would significantly outweigh the estimated benefits, in terms of the removal of what is estimated as only a marginal deterrent to development.

Q9.7 Is there merit in providing councils with the ability to levy special rates on vacant properties – an idle land tax?

Federated Farmers has no opinion on this matter, although we would be very keen to ensure any such tax would not capture farmland or land put aside for farm development.

## **Chapter 10 – Planning and funding our future**

Q10.1 What are the important design features of an Urban Development Authority? What are the risks with this approach, and how can they be managed?

Federated Farmers has no opinion on this matter.