

14 August 2015

Mr Steven Bailey
Inquiry Director
New Zealand Productivity Commission
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Dear Steven

Using land for housing inquiry: Auckland Council's response to draft report

Please find attached Auckland Council's response to the Productivity Commission's *Using land for housing* draft report. Auckland Council and Auckland Transport have worked together to prepare this submission.

The submission builds on information already provided to the Commission in earlier stages of the inquiry, through engagement meetings and in both Auckland Council's and Auckland Transport's earlier separate responses to the Commission's issues paper.

Auckland Council's main messages in response to the draft report are:

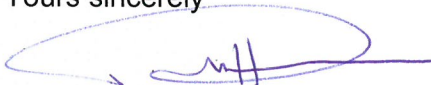
- a strong partnership with central government is required to solve Auckland's housing challenges, and central government has existing levers which can be used to good effect
- the planning system needs some changes
- there are opportunities to address infrastructure financing through partnerships.

The views of Orākei Local Board and Papakura Local Board and informal feedback from Henderson-Massey Local Board are attached to this submission. Please give independent consideration to each of them.

I am happy to discuss the content of this submission or our response to the Commission's issues paper if this further assists the inquiry team.

Auckland Council appreciates the opportunities extended to engage closely with the Commission during the course of its inquiry and looks forward to receiving a copy of the Commission's final report.

Yours sincerely



Penny Hulse
Deputy Mayor

Auckland Council Submission to New Zealand Productivity Commission Draft Report – *Using land for housing* June 2015

1.0 Executive Summary

1. Auckland Council (the “council”) welcomes the New Zealand Productivity Commission’s (the “commission”) timely draft report on *Using land for housing*.
2. The council made a submission to the commission’s Issues paper for this inquiry in January 2015.
3. Housing affordability and ensuring an adequate supply of housing are not new issues in Auckland. The council welcomes the broader approach taken by the commission in the draft report which recognises the critical role of infrastructure and infrastructure investment, from both a housing pipeline and an affordability perspective. The council reiterates its previous position that the supply of land is only one part of a range of solutions needed to address housing affordability.
4. The council recognises that Auckland has an important role to play in the country’s long-term economic growth and that Auckland is responsible for an increasing proportion of national population growth. Auckland will need to build the infrastructure for an urban area equivalent to one and a half times that of Hamilton to support the additional greenfield growth provided through the Proposed Auckland Unitary Plan.
5. However, a council’s revenue does not increase in proportion to the scale of economic growth and the council notes the cost of growth is escalating. The infrastructure investment required to support growth has major implications for the council with significant consequences for general rates.
6. There are many areas of the draft report that the council supports, and indeed is already taking action on. For the first time since the Auckland Plan was adopted, Auckland now has a ‘ready-to-go’ (zoned and serviced) greenfield land supply of just under 6 years. Through the Auckland Housing Accord the council and government are committed to accelerating an increased supply and improving the delivery of affordable homes.
7. There are some propositions canvassed in the draft report that the council opposes as they undermine the ability of councils to support local democratic decision-making.

8. The council and Auckland Transport have worked together to develop this submission. The views of Orākei Local Board and Papakura Local Board, and informal feedback from Henderson-Massey Local Board are attached to this submission. Please give independent consideration to each of them.
9. The council's main messages in response to the inquiry are:

A strong partnership with central government is required to solve Auckland's housing challenges; central government has existing levers which can be used to good effect

10. The council supports engaging with central government at the early stages of policy formulation and analysis, particularly where there may be spatial impacts within Auckland.
11. Overall, the council supports the commission's view that a more integrated planning framework is required. The council has previously provided feedback to government on the consideration of urban matters in legislative amendments and national policy proposals and reiterates those positions. The council does not support the establishment of a central government UDA in Auckland but supports central government undertaking complementary activities and working alongside *Development Auckland*.
12. The council advocates for a full assessment of the combined central and local government levers before concluding that direct ministerial intervention is required in local planning matters.

The planning system needs some changes

13. The council has previously provided feedback to government on legislative amendments to speed up and improve the consenting and plan making processes and reiterates those positions. This includes the council's support for front-loading public consultation and changing the phasing of when consultation occurs to encourage early engagement opportunities ahead of notification. In relation to the impact of regulations, the council supports a greater focus on robust benefit quantification and analysis in policy development.
14. The Local Government Act 2002 and the Resource Management Act 1991 confer on local authorities the role of land use planning in the local context and it is the council's overall position that local authorities and their communities should make land use decisions. The council also confirms its role of tailoring planning rules to local issues and opposes limitations on its ability to do so.

There are opportunities to address infrastructure financing through partnerships

15. A growing city delivers agglomeration benefits for economic growth and some economies of scale in the provision of services. However, a larger population also leads to negative externalities in service delivery such as transport congestion, and increases the costs of building and operating assets to maintain existing service levels for all ratepayers.
16. The council is looking for financing partners to share some of the risk of infrastructure investment. The council also considers that there is a role for government to take in directly financing infrastructure investment, particularly in water and wastewater, using some of the additional income generated by growth.

17. The council reiterates its recommendation from its response to the commission's issues paper that central government undertake a coordinated and timely approach to engaging Māori in the provision of housing.
18. Auckland Council is pleased to submit its response to the Productivity Commission's *Using land for housing* draft report for consideration.

2.0 Introduction

19. The council recognises that Auckland has an important role to play in the country's long-term economic growth. Auckland is New Zealand's largest city and commercial centre, with a scale and ethnic diversity that supports critical international connections. It is home to over a third of New Zealand's population, accounts for a third of all national employment, and contributes 35 per cent of national GDP. The population of Auckland is expected to exceed 2 million by 2040.
20. Auckland is responsible for an increasing proportion of national growth. The last census showed that half of New Zealand's growth since the previous census was in Auckland which is projected to account for 70 per cent of growth in the North Island in the next 20 years.
21. It is essential that the right infrastructure is in place to support projected growth. Auckland will need to build the infrastructure for an urban area equivalent to one and a half times that of Hamilton to support the additional greenfield growth provided through the Proposed Auckland Unitary Plan. This will require significant investment in infrastructure (see Appendix A). Bulk infrastructure takes time to plan, design and deliver with long lead in times and even longer asset lives. This has implications for ongoing operational costs.
22. A council's revenue does not increase in proportion to the scale of economic growth in the same way as income taxes and GST. The infrastructure investment required to support growth has major implications for the council with significant consequences for general rates. Development contributions and targeted rates cannot manage all the funding impacts.
23. The commission has identified democratic deficits which it believes create "a wedge between local and national interests". The council agrees there is a careful balancing act required between supporting both national and regional objectives and building alignment between those objectives. The council continues to engage in different ways with its communities to ensure there are opportunities for all sectors of the community to participate more effectively. The council also notes that government needs to look at broader national solutions for managing population pressures, both growth and decline; including options for smoothing various pressures both for high and low growth urban centres. The council suggests the commission explicitly raise this with government.
24. Councils are best placed to understand their communities and local needs within the context of land use and infrastructure challenges. This is why it is critical that the council works in partnership with central government to find solutions to issues of national and local importance.
25. Accommodating Auckland's growing population and enabling the delivery of more affordable housing is a priority for the council and Aucklanders. The council shares the commission's objective of unlocking the potential of Auckland to achieve a strong economy that delivers opportunity and prosperity for all Aucklanders and New Zealanders. Ensuring an adequate supply of land for housing and enabling multiple housing options¹ to address needs across all income segments is a crucial step in capturing the significant productivity gains that large cities can generate.

¹ Including apartments, terrace housing, duplexes, townhouses, and stand-alone dwellings

26. Housing affordability and ensuring an adequate supply of housing are not new issues in Auckland. These are challenges that many successful international cities continue to grapple with, and that require action across multiple areas. The council welcomes the broader approach taken by the commission in the draft report which recognises the critical role of infrastructure and infrastructure investment, from both a housing pipeline and affordability perspective.
27. The council reiterates its previous position that the supply of land is only one part of a range of solutions needed to address housing affordability. Fundamental elements of a robust long-term housing programme include: making the right decisions about development location and development sequencing, lowering house build and operating costs, improving access to finance, raising the capacity and capability of the building industry to deliver an appropriate range of housing types and supply, and providing additional support for low-income households. Managing unrealistic expectations and resistance to change add further complexity to the housing challenges. The council also notes it is important to consider possible monopoly elements within the housing pipeline supply chain and their impact on house and infrastructure pricing.
28. The council also reiterates its recommendation from its response to the commission's issues paper that central government undertake a coordinated and timely approach to engaging Māori in the provision of housing. The council's submission recognises the critical importance of affordable housing as one of the issues in *The Schedule of issues of significance to Māori in Tāmaki Makaurau*.
29. Auckland is already focused on ensuring there is an adequate supply for housing through releasing land and increasing development capacity. The Auckland Plan sets a target of an average of 7 years supply (minimum 5 years and maximum 10 years supply) of 'ready-to-go' (zoned and serviced land). For the first time since the Auckland Plan was adopted, Auckland now has a 'ready-to-go' (zoned and serviced) greenfield land supply of just under 6 years, with a further 3.85 years in the pipeline. This brings the total greenfield supply to 9.34 years.
30. In addition, as part of the Auckland Housing Accord, the council and government are committed to accelerating an increased supply and improving the delivery of affordable homes. This work is happening now and at pace.

This submission

31. There are many areas of the commission's draft report the council supports and is already taking action on. There are also some propositions canvassed that the council opposes as they undermine the ability of councils to support local democratic decision-making. It is important to understand any potential cost implications of such proposals.
32. This submission provides a number of recommendations and responses which support the three key messages outlined in paragraphs 9 - 15. These recommendations are supported by further information in the body of the submission.
33. The council has considered all the questions, findings and recommendations contained in the commission's draft report but comments only on the most substantive issues in this submission document.

Recommendations

34. There are many areas of the draft report that the council supports, and indeed is already taking action on. The council's submission has been informed by its experience and lessons learned post-amalgamation in a way that can constructively support this inquiry. This experience is of a scale and complexity not otherwise experienced in New Zealand and includes:
- Auckland Plan — a fully integrated spatial plan that sets the strategic direction for Auckland for the next 30 years.
 - Auckland Unitary Plan — a single planning rule-book that incorporated extensive early pre-notification engagement and use of an independent hearings panel. This plan will provide for greater intensification and the growth of Auckland.
 - Auckland Housing Accord — including establishment of 86 Special Housing Areas under the Housing Accords and Special Housing Areas Act.
 - Auckland 30 year Infrastructure Strategy.
 - Draft Future Urban Land Supply Strategy — setting the direction on sequencing and timing of greenfield land development over 30 years. This strategy is currently out for public consultation.
 - Forward Land and Infrastructure Programme — better intelligence on infrastructure capacity and integration across infrastructure platforms.
 - consent approval process (Consenting Made Easy) to speed up and deliver a consistent quality of consents using customer-centric processes.
 - Development Auckland — establishment of a regional urban development agency.
 - integrated infrastructure planning, funding and delivery.
 - establishment of spatial priority areas and subsequent targeting of investment.
35. Within this context, the council makes the following recommendations on the questions, findings and recommendations in the commission's draft report:

Strong partnership with government — using levers effectively

- Support addition of the management of cities and urban matters to the Resource Management Act 1991 (RMA) but note that any change should be undertaken in the context of a wider review of the RMA.
- Support development of a National Policy Statement on urban issues provided it takes a broader focus than housing/land supply.
- Oppose expansion of Ministerial powers of intervention that would enable the Minister to direct changes to District Plans and Regional Policy Statements that provide insufficient development capacity to meet population growth.
- Support in principle an integrated planning framework and support some aspects of the proposed voluntary legislative avenue.
- Do not support the establishment of a central government UDA in Auckland; but support central government undertaking complementary activities and working alongside *Development Auckland* to enable the council's agency to achieve its objectives more quickly and deliver better outcomes for Auckland.

- Support improving information quality and sharing between central and local government.
- Support joint monitoring and reporting of land supply targets.

Planning system needs some changes

- Support front-loading public consultation and change in phasing of when consultation occurs to encourage early engagement opportunities (pre-notification) – support consultation ahead of notification.
- Support robust cost and benefit analysis of regulation. Much greater focus needs to be given to building capacity to undertake quantification of benefits and robust benefit analysis.
- Oppose limitations on the ability of local government to tailor planning rules to local issues, e.g. including rules relating to mandatory apartment balcony/private open space, and minimum apartment sizes.
- Support evaluation of independent hearings panel and independent commissioners without predetermining the results of that evaluation.
- Support inclusionary zoning as an important and valid tool to use in conjunction with other measures to improve retained affordable housing (for the life of the dwelling).
- Generally support intensification where infrastructure capacity is available but note that infrastructure is only one of a number of considerations.
- Agree there is no need for planning controls that duplicate standards already set by the Building Act. Planning controls do not duplicate those standards and are only imposed where there are amenity or environmental protection issues not covered under the Building Act.
- Oppose the recommendation to review zoning rules for rural land as the rationale for such a review fails to take into account the full range of reasons for zoning rural land.
- Support alignment of Auckland Transport and Watercare statements of intent with the Auckland Plan.

Address infrastructure financing through partnerships

- Propose partnership with private sector and government to share burden and risk of financing additional infrastructure.
- Direct government funding of some water and wastewater infrastructure from revenue arising from growth.
- Provide councils with ability to use value capture rating through targeted rates mechanism – implement by allowing rates to be set on basis of a change in land value.
- Support use of motorway pricing and further discussion on road pricing.
- Oppose proposal to require councils to consider requests by developers to build infrastructure funded by targeted rates.

- Remove exemption from rates for crown entities, hospitals, schools, ports, railways, airports.
- Oppose a requirement to shift the basis of general rates from capital value to land value.
- Oppose price control on Watercare.
- Oppose need to include additional information in Development Contributions policy relating to dwelling floor areas and cost of providing infrastructure services.

3.0 Strong partnership with central government – using levers effectively

Recommendations

- Support addition of the management of cities and urban matters to the Resource Management Act 1991 (RMA) but note that any change should be undertaken in the context of a wider review of the RMA.
- Support development of a National Policy Statement on urban issues provided it takes a broader focus than housing/land supply.
- Oppose expansion of Ministerial powers of intervention that would enable the Minister to direct changes to District Plans and Regional Policy Statements that provide insufficient development capacity to meet population growth.
- Support in principle an integrated planning framework and support some aspects of the proposed voluntary legislative avenue.
- Do not support the establishment of a central government UDA in Auckland; but support central government undertaking complementary activities and working alongside *Development Auckland* to enable the council's agency to achieve its objectives more quickly and deliver better outcomes for Auckland.
- Support improving information quality and sharing between central and local government.
- Support joint monitoring and reporting of land supply targets.

36. The council supports greater collaboration with central government to address housing supply issues. It is strongly acknowledged that neither council nor central government can independently resolve the housing issues Auckland faces. The council also reiterates the importance of working and engaging with Māori across this issue.
37. The council agrees with the commission's approach in trying to identify options for local and central government to work together more effectively. The council also notes that central government has a range of levers that it can use. These include sharing of its expertise, use of its resources, ability to direct or incentivise crown agencies, and ability to align funding cycles of key crown agencies to local government funding cycles. The council would advocate for a full assessment of the combined central and local government levers before concluding that direct ministerial intervention is required.
38. The council supports engaging with central government at the early stages of policy formulation and analysis, and where government policies, planning and delivery may have spatial impacts within Auckland. This engagement could be supported by increasing levels of central government capability in Auckland as recommended by the McKay report.²

² McKay D, Review of Central Government Policy, Implementation, Strategy and Leadership Effectiveness in Auckland: Report for Chief Executives Governance Group (August 2014)

Amend Resource Management Act 1991 (RMA) to include urban matters

39. The draft report includes a recommendation to clarify the role and importance of housing and urban environments in the RMA (**Recommendation 5.6**).
40. The council supports the addition of management of cities and urban matters to the RMA to better reflect that the majority of New Zealanders live in cities and towns. The council seeks to work with government to develop appropriate provisions that reflect Auckland's scope and scale and its diverse range of communities.
41. Any change of this nature to the RMA is best undertaken within the context of a wider, formal review of the entire RMA, rather than being considered on an ad hoc basis. The government has signalled that this will be part of the future package of resource management reforms.
42. The council welcomes the opportunity to continue to work with central government on resource management reforms.

National Policy Statement on urban issues

43. The council would support the development of a National Policy Statement (NPS) on urban issues provided that it is not narrowly focused on housing/land supply (**Question 9.3**).
44. The key benefit of clear national direction could be in reducing possible inefficiencies and duplication that may arise from all high-growth councils addressing similar urban issues and policy options with their communities.
45. A NPS on urban matters should provide guidance, leaving local authorities to decide what development occurs at a regional or local level. In Auckland's case, this happens through the Auckland Plan and the Unitary Plan.
46. The NPS would be best developed through local and central government working collaboratively.
47. The council understands there is a concern about the varied approaches taken by local authorities in relation to papakāinga and marae development on Māori land and Treaty settlement land. Some national level guidance would be useful and it is suggested that a National Policy Statement for Māori and Treaty settlement land use and papakāinga development would help to ensure consistency across local authorities. This could form part of the NPS on urban issues or be a stand-alone document.

Ministerial powers to direct plan changes

48. The draft report asks whether there would be merit in expanding the 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 (**Question 9.4**).
49. The council opposes direct ministerial intervention in this situation. Giving ministers further powers to intervene in or control aspects of local planning functions could

undermine local autonomy and the accountability of local authorities to their communities.

50. Market participants, including developers, organisations and individuals, already have the option through the private plan change process to test or challenge local government planning decisions. If the market demands additional housing supply in a particular area, i.e. development is commercially viable, private plan changes can be used to enable the market.
51. The ministerial veto power is only one option of many that could be used to address differences in national and local interests. The council would rather work with central government to carry out a robust cost and benefit assessment of the wide range of possible approaches such as developing a NPS before a policy response is selected.
52. Local and central government can and do work collaboratively, avoiding the need for ministerial intervention. Examples of such collaborative work between Auckland Council and government include the Auckland Housing Accord and Tamaki Redevelopment Company activities.
53. A collaborative approach between local and central government provides for:
 - greater flexibility
 - greater buy-in
 - increased responsiveness and timeliness
 - more scope to leverage capability and resources
 - the ability to tailor localised solutions to meet local needs and national objectives.

Voluntary legislative avenue for spatial plan

54. The proposed new voluntary legislative avenue to enable more effective planning in high growth cities contains a number of features set out across four recommendations in the draft report (**Recommendations 3.5–3.8**).
55. The council supports an integrated planning framework that will drive positive outcomes for communities, and supports some aspects of the proposed new legislative avenue.
56. The draft report does not comment on how the voluntary legislative avenue discussed in Recommendations 3.5 to 3.8 might intersect with existing statutory spatial planning requirements such as those under which Auckland Council operates. The Local Government (Auckland Council) Act 2009 requires Auckland Council to prepare a spatial plan that contributes to Auckland's social, economic, environmental and cultural well-being through a comprehensive and effective long term (20 – 30 year) strategy for Auckland's growth and development. The council consulted extensively with Aucklanders and stakeholders, including government, during the development of its spatial plan, the Auckland Plan, and the Plan reflects Auckland community aspirations. The council has previously advocated for a more integrated planning framework and to give the Auckland Plan greater statutory weight in relation to the Unitary Plan.

57. The council supports the following aspects of the voluntary legislative avenue:
- Better integration of Local Government Act, Land Transport Management Act and Resource Management Act objectives (spatial planning and water and transport infrastructure planning, prioritisation, phasing and delivery).
 - Better integration of central government and local government infrastructure planning and the inclusion of key central government actors whose services matter for the functioning of cities (**Recommendation 3.7**). This may help to address the ongoing challenges of aligning cities' longer term development and infrastructure needs, and central government's shorter term planning and fiscal cycles.
 - Processes being included in the proposed new legislative avenue which encourage robust regulatory analysis and development similar to those in section 32 of the Resource Management Act (**Recommendation 3.8**).
 - Councils undertaking peer review of regulatory proposals within spatial plans (**Finding 3.19**). Councils should be able to exercise discretion to determine when and if peer review could add value and when the costs of peer review are likely to outweigh the benefits.
 - Allowing councils to opt into the new legislative framework or elect to use the existing legislative pathways for land development (**Recommendation 3.6**) to enable councils to tailor their approach to that which best suits local circumstances.
58. The council does not support the following aspects of the voluntary legislative avenue proposal:
- Narrowing of the scope of spatial plans developed under this option (**Recommendation 3.5 and Finding 3.15**) to include the 30 year infrastructure strategy, longer term transport planning, and longer-term thinking about the growth of the city and land-use rules.
 - The Auckland Plan is required to integrate broad outcomes across a 30 year timeframe which enables decision makers to understand impacts at both a temporal and spatial level. This leads to more informed decision making and risk management, as trade-off decisions are understood within the wider planning context. As the only city of international scale in New Zealand, Auckland must consider and plan for itself in both the global and national context. Auckland's ability to attract and retain international talent and investment may require a different approach to that of attracting and retaining talent from within New Zealand. The Auckland Plan provides a framework by which international, national, regional and local interests can be considered and balanced in a holistic manner and then integrated across a wide range of the council's operations and with other stakeholders.
 - The requirement for spatial plan approval by both Cabinet and the council (**Recommendation 3.7**). This could significantly reduce the ability of a council to make decisions in accordance with the aspirations of its communities. Section 80 of the Local Government (Auckland Council) Act 2009 requires the council to involve central government amongst others throughout the

preparation and development of the Plan. Working in partnership would help to ensure the implications of spatial planning on the financing of central government infrastructure are fully understood.

- The inclusion of land-use rules in a spatial plan (**Finding 3.15**). A spatial plan is a strategy. Adding land-use rules to a spatial plan would significantly increase the complexity of the proposed spatial plan (even if the scope of the plan was significantly narrowed) and reduce its accessibility for the community. It would also duplicate what sits in a district or unitary plan.

Urban development agency

59. The council agrees with the commission that there can be high value in urban development agency models (**Recommendation 10.2**). During Auckland's Long Term Plan 2015-2025 process, the establishment of an urban redevelopment agency was one of four key issues highlighted for feedback. As a result of the Long Term Plan decisions, Auckland Council's regional urban redevelopment agency, *Development Auckland*, will be operational from 1 September 2015.
60. The council does not support the establishment of a central government urban development agency (UDA) in Auckland. The council does support and believes there is scope for central government to undertake complementary development activities and to work alongside *Development Auckland*. Working together in this way will enable the council's agency to achieve its objectives more quickly and deliver better outcomes for Auckland.
61. The draft report proposes that activities of a UDA would involve:
 - assembling public landholdings with private landholdings to allow development on the required scale
 - coordinating and integrating the delivery of infrastructure
 - spatially master planning large-scale residential development projects. This would involve the removal of planning powers from councils for a limited duration, be subject to a streamlined planning process and more enabling land use rules
 - partnering with private sector developers to deliver these projects
 - operating under a streamlined planning and consent process
 - using compulsory land acquisition powers to effect development as necessary.
62. While the council can support some of those activities, it would not support the proposed removal of planning powers from local government to a UDA as local government is better placed to undertake local planning. Auckland is currently working through its Unitary Plan process, an integrated and co-ordinated regional planning mechanism. The council has a number of other workstreams to support increased re/development capacity, i.e. the Future Urban Land Supply Strategy, the Long Term Plan and the 30 year Infrastructure Strategy. These mechanisms have been developed as part of the comprehensive planning and funding framework. Transfer of planning powers could undermine this framework and adversely impact the effort the council has expended to enable development in a planned, sustainable and phased way across the region.

63. The council also would not support central government independently constructing its own infrastructure or obliging council infrastructure providers to accept privately provided assets. Even with significant co-ordination and collaboration this could impact on the council's planning for and management of its infrastructure networks, and undermine the council's ability to optimise its operational costs. The council would also be concerned if this resulted in the reprioritisation of trunk infrastructure spend or programming in Auckland. This could result in inefficient use of resources, unintended consequences and risk undermining the goals of the urban development agencies operating in Auckland, the Unitary Plan and the Auckland Plan.
64. The intention for *Development Auckland* is to focus on redevelopment opportunities, specifically brownfields redevelopment. *Development Auckland* intends to:
- manage the council's non-service property portfolio and provide strategic advice on the council's other property portfolios
 - recycle or redevelop sub-optimal or under-utilised council assets and aim to achieve an overall balance of commercial and strategic outcomes
 - facilitate private sector, third sector, iwi and government investment and collaboration into the sustainable redevelopment of brownfield urban locations
 - coordinate the provision of the council's infrastructure and other investment in these locations
 - continue to lead the development of the waterfront and deliver the Waterfront Plan 2012
 - accommodate residential and commercial growth in urban locations with good public infrastructure and services. These redevelopments will offer a range of residential choices and price points to cater for diverse households.
65. At this stage *Development Auckland* does not intend to focus on greenfield urban development. Feedback from Auckland developers on whether a development agency should be involved in greenfield development was negative. The Property Council, for example, submitted that the proposed agency should not seek to deliver in those areas where the private sector could. The Property Council was supportive of the council establishing an agency to support brownfield redevelopment.
66. The council welcomes discussions with central government on an approach to using existing levers to support the council's activities via *Development Auckland* and exploring options for how central government can best add and derive value in Auckland.
67. Some options for central government to support and complement *Development Auckland's* activities could include:
- working with the council to identify public land to be developed
(Recommendation 4.4)
 - providing funding or enabling necessary funding options
 - improving, clarifying or introducing legislative settings to support *Development Auckland's* activities
 - exploring other options for leveraging existing redevelopment opportunities.

68. It would be useful for central government to undertake an evaluation of existing urban development initiatives it has been involved with in Auckland region, (i.e. Tamaki Redevelopment Company Limited and Hobsonville Point Company Limited) to identify key lessons from those experiences. The council would be interested in partnering with central government to evaluate the Auckland based UDA initiatives.
69. The draft report includes a finding that any proposal for compulsory acquisition of Māori land would face sensitive Treaty issues (**Finding 10.6**) and the council agrees with this finding.

Opportunities for information sharing

70. The council is supportive of the recommendations to provide commercially viable development capacity and to explore the development of an Urban Feasibility Model (**Recommendations 3.1 and 3.2**). A group of experts, including economists, developers and the council's land use modellers, have worked together to model such capacity as part of the Unitary Plan process. The council suggests that the Ministry for the Environment review this model in addition to looking at overseas examples. There are costs in developing and running these models. One practical way central government could assist would be in providing expertise and/or funding to enable regular updates of this information.
71. The council does not currently report on dwelling completions but sees the value in doing so as it would provide an improved picture of housing delivered across Auckland. The council welcomes the opportunity to collaborate with central government to progress this work (**Recommendation 4.2**).
72. The council also supports developing and maintaining an inventory of public land holdings in high-growth cities to identify sites that could be used for housing (**Recommendation 4.4**).
73. The council understands the importance of "land readiness" through its Auckland Plan, Forward Land and Infrastructure Programme, Future Urban Land Supply Strategy and the Unitary Plan. It has a target to have an average of 7 years (minimum 5 years and maximum 10 years) of ready-to-go land supply. This means operative zoning and bulk services infrastructure are in place.
74. The council therefore supports expressing land supply targets as zoned and serviced land and publicly reporting on performance (**Recommendation 4.1, 6.1**). The council currently reports on land supply through a number of different tools. Under the Auckland Housing Accord, the Ministry for Business, Innovation and Employment and the council present joint quarterly monitoring reports which provide an up-to-date picture of the land and housing supply situation. The report monitors progress against the Accord targets for new dwellings and new sections as well as provides information on forward land supply and special housing area (consenting) activity. The council also reports on zoned and serviced land through its Auckland Plan Implementation Update and intends to report on un-zoned but planned-for future zoning; zoned; zoned and serviced; zoned, serviced and consented land and dwellings within the Future Urban Land Supply Strategy and the Development Strategy Annual Monitoring Report.

75. The draft report recommends the feeding of information from council asset management systems into decision making about optimal infrastructure standards (**Recommendation 6.6**). In Auckland, relevant aspects of this information are shared with the development community via reporting on the Future Urban Land Supply Strategy and the Forward Land Infrastructure Programme (FLIP), the 30 year Infrastructure Strategy and the Long Term Plan. The council's Infrastructure and Developer Forum provides opportunities for information sharing amongst the sectors.
76. Auckland Transport has participated in the Transport Analytics Governance Group (TAGG) since its inception. The TAGG was set up to drive improvements to asset management practice without the formal structure or process of established industry groups. Considerable progress was made on the development of meta-data standards for transport. This is now a national project with the scope expanded to three waters and buildings.
77. Housing growth areas are unavoidably increasing maintenance and operational costs for the Auckland transport network. Preliminary work indicates that for each dwelling built, the maintenance and operational costs (excluding public transport service provision) increase by \$600 per dwelling per year. Therefore investigations into how infrastructure is provided need to focus on both capital expenditure and operational expenditure.
78. The council also notes the comments in submissions by Te Rūnanga o Ngāti Whātua and the Mana Whenua Kaitiaki Forum proposing an option for councils to make public information about the demand for and supply of social and affordable housing. In principle, the council supports greater information sharing but has a limited role in providing housing. This would need to be a multi-party initiative to be effective.

4.0 Planning system needs some changes

Recommendations

- Support front-loading public consultation and change in phasing of when consultation occurs to encourage early engagement opportunities (pre-notification) – support consultation ahead of notification.
- Support robust cost and benefit analysis of regulation. Much greater focus needs to be given to building capacity to undertake quantification of benefits and robust benefit analysis.
- Oppose limitations on the ability of local government to tailor planning rules to local issues, e.g. including rules relating to mandatory apartment balcony/private open space, and minimum apartment sizes.
- Support evaluation of independent hearings panel and independent commissioners without predetermining the results of that evaluation.
- Support inclusionary zoning as an important and valid tool to use in conjunction with other measures to improve retained affordable housing (for the life of the dwelling).
- Generally support intensification where infrastructure capacity is available but note that infrastructure is only one of a number of considerations.
- Agree there is no need for planning controls that duplicate standards already set by the Building Act. Planning controls do not duplicate those standards and are only imposed where there are amenity or environmental protection issues not covered under the Building Act.
- Oppose the recommendation to review zoning rules for rural land as the rationale for such a review fails to take into account the full range of reasons for zoning rural land.
- Support alignment of Auckland Transport and Watercare statements of intent with the Auckland Plan.

80. Overall, the council supports the commission's view that land use and infrastructure planning can be better integrated thereby improving outcomes on the ground. While the RMA is not, in itself, within scope of this inquiry, the commission makes some recommendations which would be given effect through the RMA. Auckland Council has previously provided feedback to government on RMA amendments to speed up and improve the consenting and plan making processes. Some of these points are included in addition to specific responses to the commission's draft report.

81. While the council agrees that regulation does add cost to the process, it considers that the draft report's discussion of regulation is too narrowly focussed on costs (or equivalently, on the benefits of regulating less). The council considers that:

- Land use planning is not all about the provision of land for housing. Land is required for business and industry, activities such as tourism and recreation,

and services such as education and health. A narrow focus on housing means that the other important elements of successful cities and economies may be forgotten.

- It is also important to strike a balance between land for housing and land for employment use. Compact urban form, a key principle driving the development strategy within the Auckland Plan, recognises the need to provide a range of employment opportunities across the urban area.
- Regulation can also have benefits and these must be weighed up against the costs. Local government needs to consider public benefits and costs as well as individual benefits and costs. Protection of the environment is one example where regulation can occur to ensure that the overall public benefit of clean water, undeveloped maunga, forest and significant ecological environments are considered where such consideration may not be given by individuals or the market.
- Consideration of amenity in resource management processes is critical.
- There is a lack of robust benefit analysis by both local and central government. At the policy development stage, the majority of resources are put towards identifying costs with comparatively little put towards quantification of the benefits. The council supports a greater focus and capacity in relation to benefit analysis in policy development.
- Community aspirations are a valid consideration when weighing up the costs and benefits of regulation.

82. The council is clear that the Local Government Act 2002 and RMA confer particular roles and responsibilities to local authorities. One of these roles is land use planning in the local context.
83. If the balance between national and local interests shifts, this could potentially impact on the kaitiaki role of mana whenua and the provisions that Auckland Council has sought to put in place to better enable mana whenua input into the planning process.
84. The council's overall position is that local authorities and their communities should make land use decisions.

Front-load public consultation requirements

85. The commission makes a number of findings around the issues of consultation and notification but few recommendations. Overall, the council supports more streamlined, timely and less costly processes that still enable a high degree of public participation and quality decision-making.
86. The council adopted a Significance and Engagement Policy in 2014 as required by the Local Government Act 2002. Auckland's scope and scale means that the council is regularly consulting with the public across a range of issues. The council's position is that Aucklanders engage with consultation processes where those issues being consulted on are most relevant for them. This may relate to wider regional issues, for example the Unitary Plan or Auckland Plan development, or it may relate to local issues, for example consents and local board activities.

87. As discussed in the council's response to the commission's issues paper, the council considers there are a range of options in relation to RMA reform which could improve the efficiency of the planning system without significantly compromising public engagement and consultation. The council notes the commission's findings in relation to timeliness impacts of public consultation and engagement on the plan-making processes (**Findings 4.10, 4.11, 4.12, 4.13**). The council's previous submissions on these points do not involve a reduction of consultation and engagement opportunities, rather they are directed at front-loading the consultation and changing the phasing of when consultation occurs, i.e. greater levels of consultation occur at the initial stages of the plan-making process and engagement opportunities progressively decrease during the process. The council requests the commission reconsider the impact of changing (not reducing) the phasing of RMA consultation processes.
88. The council supports the commission's recommendation that local authorities should set policies for publishing and consulting on draft plan reviews or plan changes of interest to the wider community ahead of notification, unless compelling reasons exist for not doing so (**Recommendation 4.5**).
89. The council considers that it is still appropriate to impose a legislative requirement on local authorities to consult on draft plan changes prior to notification. This legislative requirement should relate only to council-promulgated plan changes to avoid unnecessary public consultation on private, site-specific plan changes.
90. In the council's view, Schedule 1 does not prevent pre-notification consultation. It does, however, prescribe certain requirements like public notices in newspapers which are very costly (at least \$5000 per application in the New Zealand Herald). Using public notices in a newspaper is an outdated way of communicating and the Schedule 1 requirements should be reviewed to see if the benefits outweigh the costs.
91. The council undertook a comprehensive pre-notification public consultation on the draft Unitary Plan. This commenced with the release of a very early draft of key sections of the Unitary Plan to key stakeholders, and was followed by an extensive 11 week communications and engagement campaign. Almost 25,000 individual pieces of written feedback were received on the full draft Unitary Plan. This process resulted in significant improvements being made to the Unitary Plan prior to public notification. Summaries of the main changes to the Unitary Plan were made available on the council's website.
92. The council notes that there is nothing preventing this approach in any of the current legislation. The amendments to the Local Government Act to provide for more flexible consultation processes will also encourage councils to think differently about the way in which they engage.

Statutory notification – Schedule 1 or HASHA

93. The council does support narrowing the eligibility of further submitters to those who are directly affected by a proposal, e.g. the owner of a site where a tree is proposed to be scheduled. In the council's experience, the current process adds significant costs and time for very little benefit.

94. The commission asks how eligibility for notification and consultation and site-specific proposed plan changes should be defined, and whether the definition used in the HASHA Act or the 2009 RMA amendments would be preferable (**Question 4.4**).
95. The council has experience of working under both the RMA Schedule 1 and HASHA processes. There are benefits and costs to both options.
- The Schedule 1 process has been amended over the years and the presumption is no longer public notification. However, the Schedule 1 process provides for councils to publicly notify applications where appropriate. It is also the process that most communities are familiar with.
 - The HASHA process limits notification to directly adjacent sites and there is no option of public notification. Disadvantages of the HASHA process include the fact that it is a 'one size fits all' approach which does not have the flexibility to take account of different circumstances.
96. The definition of eligibility of involvement is key in determining notification provisions. Issues like the materiality of the change/proposal and the function of the proposed activity are important factors. It will be critical to ensure that Māori interests are not excluded.

Cost-benefit analysis

97. The commission recommends that local authorities should undertake robust cost-benefit analyses before considering the introduction of building height limits, and should lift current limits where it cannot be demonstrated that the benefits outweigh the costs (**Recommendation 5.4**).
98. The council supports the need for robust cost-benefit analyses for all policy, including building height limits. However, the council also considers that not all environments are the same and therefore there will be a need for building height limits in some areas.
99. While robust cost benefit analysis is needed, the majority of resources are put towards identifying the costs with relatively little put towards benefits.
100. The council and central government could investigate options for funding a research programme to test and assess the non-market benefit values from managing urban issues. This research could have a focus on quantitative impacts that can be incorporated into cost-benefit analyses as well as qualitative findings that can be generalised.

Limitations on the ability of local government to tailor planning rules to local issues

101. There are a number of recommendations in the draft report aimed at reducing regulatory costs:
- Urban territorial authorities should remove District Plan minimum parking requirements, and make more use of traffic demand management techniques (Recommendation 5.3).

- Urban territorial authorities should remove District Plan balcony/private open space requirements for apartments (Recommendation 5.1).
 - Once the Ministry of Business, Innovation and Employment has completed planned work on updating Building Code rules and guidance related to air quality, lighting, acoustics and access in multi-unit dwellings, local authorities should review minimum apartment size rules in their District Plans with a view to removing them (Recommendation 5.2).
102. Overall, the council opposes limitations on local government’s ability to tailor planning rules to local issues. In the following paragraphs, the council comments on the specific rules identified in the above recommendations.
103. In the Auckland context, in areas which are well served by public transport, the council agrees that minimum parking provisions can add unnecessary costs and send the wrong signals to the market. The council, in conjunction with Auckland Transport, is already focussing on traffic demand management techniques instead of minimum parking provisions in appropriate areas well serviced by public transport. However, the council does not support a national, blanket rule disallowing minimum parking requirements.
104. Similarly, the council does not support national, blanket rules disallowing minimum balcony/private open space requirements for apartments or minimum apartment sizes. The council considers that the costs of requiring balconies have been overstated, particularly in light of the fact that the market will pay a premium for an apartment with a balcony as opposed to one without. The council is aware of the Grimes and Mitchell and MRCagney reports on these related matters referenced by the commission. As acknowledged by the commission, the Grimes and Mitchell report “explicitly did not look at benefits”.
105. As previously stated, policy matters such as minimum apartment sizes and private open space provisions need to have an equally robust benefit analysis undertaken. The council’s current position is that it considers regulation such as minimum apartment sizes and private open space provisions are necessary to ensure long-term liveability and quality of buildings and spaces.

Independent Hearings Panel and independent commissioners

106. The council supports the commission’s recommendation that the Ministry of Business, Innovation and Employment and the Ministry for the Environment should, once the work of the Auckland and Christchurch Independent Hearings Panels (IHPs) is complete, evaluate the IHP processes, with a view to deciding whether IHPs will become a permanent feature of the planning system (**Recommendation 4.6**).
107. The evaluation should focus on the role of IHPs in the plan making process. It is important that the results of the evaluation are not predetermined and that key lessons from both Auckland and Christchurch processes are fully considered as part of the proposed review.
108. Feedback from Auckland communities on the experience of the IHP process has been mixed – some are positive around the expertise and robustness of process, others are negative around the complexity and difficulty of navigating through it.

109. Given the experience that the council has had with the IHP for the Unitary Plan, the council welcomes the opportunity to work together with central government on both the review and any subsequent implementation.
110. The council uses independent commissioners for the majority of its RMA hearing functions. Decision-making authority is generally delegated to independent commissioners for resource consents.
111. The council recognises that independent commissioners are an additional cost which is borne by the applicant. However, there have been very few concerns raised by applicants on the use of independent commissioners.

Inclusionary Zoning

112. The council is addressing the supply of affordable housing through tools such as the Auckland Housing Bond Guarantee. The Special Housing Area process has shown that, without affordability requirements, many if not most developers would not actually have produced the affordable product. Therefore, increasing land supply is not enough to guarantee the supply of affordable housing. In the Unitary Plan, the council is proposing a mandatory requirement for affordable housing in greenfield developments as developers can factor it into the land prices. This is a way of utilising the value uplift from land rezoning for public good.
113. However, the Unitary Plan cannot generate supply of houses. Removal of supply constraints may help to stimulate more supply, but there are other barriers and issues at play, particularly for housing for low to moderate income households. Hence, the approach taken by the council is that a suite of tools is required to address the affordability gap. Inclusionary zoning is an important and valid tool to use (with strong international precedent producing effective outcomes) in conjunction with other measures to improve affordability.

Intensification where there is existing infrastructure capacity

114. The commission recommends that councils ensure planning rules do not prevent intensification in areas where there is existing infrastructure capacity (**Recommendation 6.2**)
115. While the council supports the premise that areas with infrastructure capacity should be intensified, the local context is very important when considering intensification. As stated throughout this submission, local government needs to consider public benefits and costs and community aspirations. Intensification is not always appropriate in all areas with infrastructure capacity.

Exceeding Building Act standards

116. The draft report proposes that local authorities should review District Plan controls on the design and construction of buildings or dwellings that exceed standards set under the Building Act, with a view to removing them (**Recommendation 5.5**).

117. While the council supports any recommendations to reduce legislative overlap, it is important to note that the Building Act and RMA have two very different purposes:
- The purpose of the RMA is to promote the sustainable management of natural and physical resources in a way that enables people and communities to provide for their social, economic and cultural wellbeing.
 - The purpose of the Building Act is to provide for the regulation of building work, establishment of a licensing regime for building practitioners and the setting of performance standards for buildings. This purpose includes “having attributes that contribute appropriately to the health, physical independence and wellbeing of the people who use [buildings]” and “buildings are designed, constructed, and able to be used in ways that promote sustainable development.”
118. It is not the practice of the council to develop planning rules in isolation from the Building Act. The starting point for planning rules is the standards set under the Building Act. Further rules are only added by the council where there are amenity or environmental protection issues which are not covered or adequately addressed under the Building Act.
119. As a result, the council considers that regulation such as minimum apartment sizes are appropriate under the RMA and do not undermine the Building Act. Certain amenity issues are of particular importance in the management of cities and urban matters.
120. Alternatively, if it is considered that RMA plans cannot address issues such as avoiding flood hazards, universal access in residential developments, sustainable design, etc., then the Building Act needs to be reviewed to ensure these current shortcomings are rectified.

Zoning rules for rural land

121. The report includes findings on the tensions between the growth of cities and agricultural/rural land on the edges. In particular, the report links zoning of large minimum lot sizes with the purpose of protecting “elite” or “high-class” agricultural land. The report proposes a review of zoning rules for rural land (**Recommendation 3.3**)
122. The council does not agree that such zoning is primarily for the purposes of protecting agricultural land. The purpose of such zoning is multi-faceted and also includes:
- avoiding ad hoc development in rural areas and the high costs of servicing this with infrastructure
 - avoiding reverse sensitivity impacts on existing rural activities and maintaining a strong rural economy.

Alignment of SOIs with Auckland Plan

123. Council supports the recommendation that Auckland Transport and Watercare should amend their statements of intent (SOI) so that they are aligned with the Auckland Plan and its target for new dwellings (**Recommendation 8.1**)

124. This work is already underway. The recent Auckland Transport SOI for 2015 includes strategic themes developed to align with the Auckland Plan strategic direction and recognises the need for participation in a targeted and integrated approach to development as part of the council's spatial priority areas and special housing areas.
125. Watercare's 2015 – 2018 SOI has a new format and includes a new section devoted to how Watercare contributes to Auckland Plan outcomes. The Watercare SOI requires:
- Watercare's Asset Management Plan 2015 –2025 to provide for \$2.2 billion of expenditure on water and waste water infrastructure to service growth in the Auckland region.
 - Watercare to actively engage with Auckland Council and other infrastructure providers through the Housing Project office, the Spatial Priority Areas Steering group and the Auckland Plan Oversight Group to understand the regional growth priorities and to ensure that, where possible, water and waste water infrastructure is available in a timely manner to service growth.
126. All CCOs are already required to give effect to the Long Term Plan.

5.0 Address infrastructure financing through partnerships

Recommendations

- Propose partnership with private sector and government to share burden and risk of financing additional infrastructure.
- Direct government funding of some water and wastewater infrastructure from revenue arising from growth
- Provide councils with ability to use value capture rating through targeted rates mechanism – implement by allowing rates to be set on basis of a change in land value.
- Support use of motorway pricing and further discussion on road pricing.
- Oppose proposal to require councils to consider requests by developers to build infrastructure funded by targeted rates.
- Remove exemption from rates for crown entities, hospitals, schools, ports, railways, airports.
- Oppose a requirement to shift the basis of general rates from capital value to land value.
- Oppose price control on Watercare.
- Oppose need to include additional information in Development Contributions policy relating to dwelling floor areas and cost of providing infrastructure services.

127. A growing city delivers agglomeration benefits for economic growth and some economies of scale in the provision of services. Councils, hence ratepayers, incur additional infrastructure costs as populations grow. These increased costs go beyond the additional local infrastructure required to service growth areas. A larger population leads to negative externalities in service delivery (transport congestion) and diseconomies of scale in the construction and provision of assets (higher land prices). This raises the costs of building and operating assets to maintain existing service levels for all ratepayers³.

128. Council's revenues do not increase in proportion to the scale of economic growth in the same way as income taxes and GST. The infrastructure investment required to support growth has major implications for the council with significant consequences for general rates. Development contributions and targeted rates cannot manage all the funding impacts.

129. In addition, the council is looking for financing partners to share some of the risk of infrastructure investment. The council also considers that there is a role for government to take in directly financing infrastructure investment, particularly in water and wastewater, using some of the additional income generated by growth.

³ Development contributions can require developers to make a contribution towards some of the cost of maintaining service levels but not all of them.

Financing infrastructure investment

130. The council agrees that debt is an appropriate means of financing investment in infrastructure. The costs of this debt should be met by the beneficiaries of the investments (land owners, developers and future property owners) because:
- it ensures they take account of all the costs of development in their decision making
 - developers and other beneficiaries are paying for the benefits they receive rather than existing ratepayers.
131. Setting charges on land that will be serviced by additional infrastructure in the form of development contributions or other charges is the best means to achieve this.
132. As a result of its power to set rates and sound fiscal management the council has excellent access to capital markets. The council's access to debt is not unconstrained. The ultimate constraints are economic ones:
- what is the appropriate size of council
 - what is the appropriate risk profile of our investments in infrastructure
 - affordability of long term funding mechanisms for our communities.
133. Fiscal prudence drivers dictate a long term sustainable balance must be struck between debt and revenue.
134. To enable additional investment in infrastructure the council is looking to partner with the private sector including iwi, through development agreements, and central government. This will enable more infrastructure investment to be financed without imposing additional risk on existing ratepayers or putting undue pressure on the council's balance sheet ratios. The proposals in the draft report that support land aggregation through development agencies will provide the potential for more partners of scale with whom financing arrangements can be entered into.

Central government role in financing infrastructure

135. Central government receives benefits in terms of income and consumption taxes from additional growth, and from housing constructed to serve the additional population.⁴ The council considers the government could partner with the council to take a more direct role in the financing of infrastructure. The council could then use its funding tools, development contributions and targeted rates, to refund this investment. The council notes that in the past government has provided direct one-off funding injections into specific Auckland-based infrastructure projects (where those projects have fallen outside the general funding criteria of central government agencies). This has enabled the completion of several significant projects. The council considers it would be timely for government to engage directly with the council about how and when it could again provide that sort of direct support.
136. In addition the government should consider sharing in the funding of long lived water and wastewater assets from some of the additional income it expects to receive from growth in the Auckland economy. While this doesn't link directly to the users of the

⁴ GST on the average new house (\$300,000) constructed in Auckland is \$45,000 whereas the average development contribution is \$19,055.

service it would support acceleration of infrastructure investment, land release, housing construction and economic growth.

137. The commission found (**Finding 8.1**) that “The Government Policy Statement on Land Transport includes relatively weak reference to land supply for housing. A stronger focus on how transport infrastructure can support land supply for housing would change NZTA’s investment priorities and might help to free up land supply in high-growth cities. However, shifting the priorities for land transport funding could have implications for existing priorities”. The council broadly agrees with this finding. NZTA funding criteria focuses largely on “level of service” investment, often at the expense of supporting forward investment in growth. The majority of investment goes towards remedying existing levels of service problems. Therefore most growth-related projects fall below the funding line.
138. In addition, the council is concerned that NZTA does not fund rail improvements. This gap should be addressed to enable metro rail developments to be considered as part of public transport solutions for Auckland.
139. The council and Auckland Transport have established the Local Residential Growth Fund as a new measure – a ring-fenced fund dedicated to Special Housing Area/plan change related projects which have a high (75%) growth component and a well-documented need. This fund will not deliver on all growth needs.

Funding infrastructure investment

140. The tools that council has available to fund the costs of infrastructure to serve growth are:
 - general rates – used to fund infrastructure that can’t be funded from contributions
 - development contributions – primary funding source
 - targeted rates – not presently used but offers advantages in some circumstances
 - government grants for transport.
141. Development contributions (and Watercare’s infrastructure growth charges) currently allow the council to secure most of the funding required to meet the costs of development, i.e. water, wastewater, roading or transport infrastructure. However, contributions do not cover all the costs of infrastructure and specifically as a result of legislative changes, contributions no longer cover all the costs of infrastructure expected by ratepayers, e.g. swimming pools and libraries. These costs now have to be met by existing ratepayers rather than the beneficiaries of the investment.
142. In addition to the above, the council, along with Local Government New Zealand, supports broadening the funding tools available to improve economic efficiency and better support partnerships with government, private sector and others. Key areas where the council seeks change are discussed in the following sections and are included in response to the proposals within the commission’s report.

User charges

143. The commission makes two recommendations (**Recommendations 6.4 and 6.5**) in relation to user charges. These recommendations relate to greater use of user charges where this can reduce demands on infrastructure, and an amendment to the Land Transport Management Act to allow pricing on existing roads where there is a business case that enables effective network optimisation.
144. In response, the council notes it already funds water and wastewater through user charges via its subsidiary Watercare Services Limited.
145. The commission also asks whether there is a case for introducing access, quality and price regulation for water services (**Question 8.4**). The council's response to this question is that there would be little benefit from the price regulation as Watercare, unlike other utilities, cannot make a profit. The council is not aware of any evidence on the cost efficiency of Watercare's investment programme and operations that would justify the costs of regulation.
146. The Auckland Plan identifies the need to implement new transport funding mechanisms to raise revenue and manage demand. Our analysis shows these charges provide three times the economic benefits of alternatives such as petrol taxes and rates.
147. The council has led the road pricing discussion in Auckland and has established community support for a motorway user charge. Responses to submissions on the draft LTP showed 38 per cent of submitters supported or partially supported introducing a motorway user charge to pay for increased investment, while 34 per cent supported or partially supported using rates/fuel taxes. A Colmar Brunton survey of 5000 Aucklanders identified that 57 per cent preferred a motorway user charge.
148. The council is continuing to work with the government on alternative funding sources with a view to eventually implementing a new transport funding mechanism.

Targeted rates

149. The council does not currently use targeted rates to fund growth infrastructure but is considering making greater use of this tool. Targeted rates offer some advantages over development contributions as they:
 - are payable whether or not development proceeds
 - provide a more secure revenue stream
 - encourage development and discourage land banking
 - can be levied on existing property owners where they benefit from infrastructure investment (development contributions can only be levied on new developments and for the benefits they receive)
 - spread the cost of infrastructure over a longer time period thus reducing upfront capital requirements.
150. The council could apply a targeted rate to recover the cost of some, or all, of the infrastructure to meet the demands of growth in a particular area. This would apply to both new and existing properties. The share of the cost of infrastructure to be met

by different properties could be based on similar characteristics to those used to allocate cost under the development contributions policy.

151. A targeted rate is payable by a property owner whether or not they develop. It is therefore likely that some property owners would oppose this form of funding. One alternative that may make a targeted rate more palatable and to better align the cost allocation with benefit would be to apportion the cost on the basis of change in land value, a form of value capture rate. In this way a property owner would pay a share based on the benefit they were receiving in terms of land value uplift. In order to be able to employ this tool the council recommends that the Local Government (Rating) Act 2002 be amended to allow rates to be set on the basis of change in land value.

Value capture rating

152. The council agrees with the draft report's conclusion that there is a strong case for the public to capture unearned land value increases resulting from public action. The council also agrees with the views on the role that participation in the market via an urban development agency and the use of targeted rates as a form of betterment levy can take. The use of more direct methods such as an ongoing land value increment should be considered as part of a wider discussion on local government funding and the tax base in general.

Developer requests for targeted rate to fund growth-infrastructure

153. The commission recommends that councils be required to consider a request from developers to construct growth-enabling infrastructure, to be repaid through targeted rates on the properties that benefit from the infrastructure connections (**Recommendation 7.3**). The possible purposes of this recommendation are to:
- allow for additional land to be made available for development beyond that which council plans to service and release
 - spread the cost of infrastructure over a longer time period and away from the developers to the new property owner.
154. Pursuing all such opportunities outside the council's planned growth approach would lead to the council taking on more debt. A blanket requirement to formally consider all such proposals would incur more administrative cost and divert key staff from focusing on issues that would have a real impact on land supply. In so far as it reduces capital pressure on developers it is noted that the council already allows developers to defer payment of contributions until the sale of a property.
155. The council considers it has sufficient flexibility to adequately assess the impacts of developer proposals and exercise its discretion if the benefits of such proposals outweigh the costs. Further, the council considers a mandatory requirement to include developer proposals outside priority areas would not be cost effective. Agreeing to these proposals would require the council to divert spending from higher priority infrastructure programming. The council does not support this proposal.

Removal of rating exemptions for crown entities and other land

156. The council supports removing the exemption from rates not just from Crown entities but also from ports, railways, airports, hospitals and schools.
157. Rates are a tax that fund a wide variety of council services including roading, water supply and waste water, storm water, governance, regulatory functions, and community facilities such as libraries, parks and swimming pools.
158. All land owners benefit from the public good services that councils provide. Most also benefit from direct private benefit services such as refuse collection, water and waste water services. As all land receives some benefit then all land should be liable for rates. Legislation allows councils to charge rates to land classified as non-rateable for water, sewerage and refuse so long as the service is being provided to the land.
159. Rating exemptions initially covered crown land, land used for religion, and land covered by native title. Over time these exemptions have been expanded and developed to reflect changes to how the land is used, specifically:
- the devolution of functions to entities that are legally separate from the crown
 - commercial activities being undertaken on some crown land.
160. Reasons for providing rating exemptions include:
- land provides a public good
 - land has no or limited economic use
 - land receives limited benefit from council services.
161. The impacts of continuing to provide these rating exemptions are:
- ratepayers bear the costs of services that are delivered to exempt land
 - the crown benefits from subsidised council services
 - dilution of the available rates base resulting in either reduced service levels or higher rates bills.
162. Many rating exemptions have been derived from a broad policy of exempting crown lands. The rationale for providing ongoing exemptions for ports, railways, airports, hospitals and schools is based almost exclusively on national interest. The council believe that these exemptions are no longer appropriate because:
- the public good provided from the land accrues to a wider community (i.e. the country as a whole) and it is inappropriate that only local communities fund them
 - the value of the rating exemption for an individual property is out of proportion from the value of the public benefit provided
 - although local communities benefit from the activities undertaken on non-rateable land, similar benefits can be obtained from land that is rateable
 - continuing exemptions reduces incentives for efficient investment⁵
 - other utilities such as gas and electricity networks pay rates
 - all the currently exempted activities are subject to GST and income tax to fund central government activities so they should also be subject to local government rates.

⁵ The council charges rates internally and central government entities should also meet these costs.

163. Councils see investment in infrastructure as necessary if the government's goal of "growing an inclusive innovative economy for the benefit of all" is to be achieved. The main impact that of continuing rates exemptions for crown land is that there will be less funding available for investment in infrastructure.

Capital Value and Land Value rating

164. The adoption of an integrated rating system in Auckland has led to large increases for many ratepayers. A move now to land value rating would lead to further significant changes in rates.
165. One criticism of rating systems is that they are regressive in relation to incomes. The commission finding that land value has a better relationship to incomes than capital value is contrary to the findings of the Local Government Rates Inquiry. The council's view is that rates based on property values (both land and capital value) have a very good correlation with household incomes, although the closeness of this fit is influenced by the choice of differentials and the use of fixed charges. The council also considers that although land value rating does provide a stronger incentive to develop land, this difference is small and will not have a material impact on development decisions.
166. In Auckland key benefits of continuing to use capital value as the basis for rating include:
- capital values are more accurate as there is significantly more information available on market transactions for developed land as opposed to vacant land
 - capital values have a better correlation to benefits received from council services and require fewer differentials.
167. Having just completed a three year process of standardising rates for the Auckland region to be based on capital value, changing to land value would create significant short term swings in the incidence of rates; particularly, leading to significant reductions for utility companies and significant increases for the rural sector.

Development Contributions policy detail

168. The council does not support the recommendation that councils should include information in their development contributions policy about the relationship between dwelling floor area and the cost of providing infrastructure services (**Recommendation 7.2**). The council already sets development contributions based on dwelling floor area and will provide on request the information on which this decision was reached. There is little value in adding more text to already lengthy contributions policy documentation.

Appendix A



5 August 2015

For the attention of Auckland Development Committee

**Productivity Commission “Using Land for Housing” report:
Feedback from Papakura Local Board**

The Productivity Commission makes some useful suggestions for improving housing land supply and development capacity. Some of the proposals are however not supported by Papakura Local Board and the following points highlight the main areas of concern:

1. The place-making role of local boards should be recognised in planning processes and locally driven engagement should be a matter of course. Council could devolve more to the local boards to ensure that communities have a greater say in the plans that will affect them.
2. As the local board firmly believes in the need for greater involvement at the local and community level, we are opposed to the Productivity Commission’s suggestion that Ministers be given the scope to direct changes to district plans and regional policy statements
3. The population of the Papakura local board area is forecast to double in the next 30 years, as significant SHAs and future urban zones are developed (Hingaia, Takanini and part of Opaheke/Drury). This does not include the substantial areas immediately adjoining Papakura but within Franklin (a large part of Opaheke/Drury and Karaka). The board agrees that the purpose of land use planning is much wider than the supply of land for housing. Our local board plan promotes the “live, work, play” principle – we need to plan for physical and community infrastructure and jobs alongside the growth in population. We should be planning for new communities, not just for housing.
4. The local board believes that new development needs to be integrated with and provide an overall benefit to existing communities in the area. Otherwise, the Council risks creating inequalities of access to services and facilities within our future communities. The use of targeted rates for growth enabling infrastructure is supported on the proviso that communities paying the targeted rates are directly benefitting from the infrastructure.
5. The local board is opposed to the removal of controls on height, density, parking, balconies and apartment sizes. Urban design guidance is helpful but, if there are no mandatory controls, it is difficult to see how local amenity can be fully respected. The results will be urban “cramming” and an insidious change in character for existing established residential areas.

Papakura Local Board requests that the Auckland Development Committee gives full consideration to the views summarised above, in making its deliberations and forming its response on the Productivity Commission’s draft report.

Yours sincerely



Bill McEntee
Chairperson, Papakura Local Board

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Feedback on Productivity Commission's Using Land for Housing Report Henderson-Massey Local Board

Please note that the comments are organised under the headings from the *Auckland Council proposed response to Productivity Commission* presentation.

Key findings of Commission's draft report

The board agrees with the following findings in the report:

- Housing supply problem is a national issue
- Improving supply of serviced land for housing is an important component of addressing housing affordability
- Need more intensification and closer to city centre
- More greenfields development required, faster
- Wider planning system struggling to cope

"Serviced land" means more than the three waters and transport; it must include social services availability, community facilities and education, public transport provision etc.

The first premise must be that built neighbourhoods are for people to enjoy living in, not just more houses and use of best design for the buildings, public spaces and roads/cycleways is essential.

The board considers that brownfields should be developed first.

Key recommendations of draft report

The board agrees with the following recommendations of the draft report:

- Greater central government involvement
- Better integrated land use and infrastructure
- Increase efficiency in decision-making and consenting
- Reduce unnecessary regulation
- Establish urban development agency

The board agrees with the Auckland Council comment that the report identifies financing of infrastructure as an issue but provides limited recommendations.

Council already taking action

The board supports the council in designing a Future Urban Land Supply Strategy, as planned sequencing of greenfields development must be aligned carefully with infrastructure capacity and with consideration of sensitive environments.

The board has further concerns:

- About the high cost for Auckland ratepayers and the burden coming onto Auckland Council rather than central government.
- That iwi, hapu and other organisations should be given opportunities to be involved in integrated housing projects
- That it is necessary for higher rise development to achieve density and stop sprawl.
- That design and size requirements on apartments should not be removed unless quality can be maintained (e.g. balconies on apartments)
- That best water quality outcomes must be encouraged. It is critical that issues of water quality arising from intensification and increases in impermeable surfaces be addressed.

Planting of streams and waterways, in private and public domain, to work towards best water quality outcomes for the health of our streams and harbours.

Key Messages

- Agree that a strong partnership with central government is required to solve the housing issue, but as a true partnership, not with central government veto or control of decisions
- Take care not to move away from the RMA's environmental focus and ability for local communities and Maori to participate in planning
- There should only be support of the report's recommendation to add management of cities and urban matters to the RMA if the RMA's environmental focus and ability for local communities and Maori to participate in planning is supported.

Central Government Levers

- Agree with the recommendation to support National Policy Statement on urban issues, provided it is not narrowly focused on housing, and provided central government engages with local government in its development.
- Re Productivity Commission question "Are there merits in expanding RMA to enable Ministers to direct changes to District Plans and Regional Policy Statements that provide insufficient capacity (Q9.4)?" - Strongly oppose. It is inconsistent with the principle of local decision making for local issues. Current legislation already gives the Minister the ability to direct councils to change regional policy or district plans to address a resource management issue.
- Re Productivity Commission recommendation "Place for an Urban Development Authority in both greenfield and brownfield, partnering with private sector and potentially using powers of compulsory acquisition (R 10.2)" - The Board support Parks and public places/community facilities acquisition.

Planning system needs some changes

- Local views and knowledge are very important. In the case of the RMA the board does not support loss of notification rights other than in existing HASHA Act situations.
- Eligibility for notification - The board acknowledges that local and national environmental groups have valuable knowledge and should not be excluded from Plan Changes. Limited Notification in HASHA - should not be generally extended under the RMA.

Re Productivity Commission recommendations - New voluntary legislative avenue that: integrates aspects of RMA, LGA and LTMA, focuses on land use, involves joint development with government, requires Cabinet approval, and s.32 type analysis (R 3.5 – 3.8).

- The board does not support requirement for Cabinet approval and does not support narrow land use focus.
- Watercare and AT Statements of Intent need alignment to achieve better 'links' to housing needs and development.
- Central government should not be the decider in local government matters

Re Productivity Commission recommendation “Councils should carry out robust cost benefit analysis (CBA) before imposing height limits (R5.4).”

- The board strongly supports the Council’s comment that CBA must quantify true costs and benefits including amenity value and wider social, cultural and environmental benefits that support quality living

Re Productivity Commission recommendation “Councils should consider removing minimum apartment size rules once update to Building Code rules is completed (R5.2).”

- The board opposes this recommendation

Infrastructure funding

- The board supports capital value rating - it considers it the fairer mechanism for ratepayers.
- There needs to be equitable local funding allocation from developer contributions to fund parks and reserves, and community facilities.
- All Local Boards must be fully involved in wider precinct planning
- MOE must plan ahead for ECE, schools, high schools, higher education and MOH for large public health centres
- Infrastructure - roads/ cycleways, water, sewerage, potable water, power, internet, community buildings and public transport links must be planned/ linked

Other

- The board strongly opposes reverting to land value rating (F9.20).

Re Productivity Commission recommendation “Ensure planning rules do not prevent intensification from occurring in areas with existing infrastructure capacity (R6.2).”

- Note previous comments regarding building neighbourhoods and social services - not just about infrastructure.

Other general comments from the board

- Parks and reserves should not be taken for housing
- The supply of new parks and reserves in new developments must remain at or better than at present
- New parks must be of a reasonable size and location e.g. not having to cross busy roads to access neighbourhood parks.
- Funding for parks must keep pace with the new provision of parks so that they can be developed and maintained

The Board agrees with officers’ thinking that the purpose of planning and land use is wider than the supply of land for housing and includes environmental and cultural wellbeing (such as parks and community facilities).

Orakei LB Feedback on the Using Land for Housing: Draft report issued by the Productivity Commission

Key themes of draft report

The Orakei Local Board agrees that:

- The wider planning system (including infrastructure) is not meeting the demands put on it, as indicated by high house prices and high government costs for housing-related social support
- Policies and regulations around intensification, transport investment, urban limits and design controls can constrain development capacity and serve to raise house prices
- Housing supply has a large backlog that is not being closed
- Central government and local perspectives on optimal city sizes may differ
- The impact of house price inflation on macroeconomic stability, is a significant risk for Auckland and New Zealand overall
- There is a risk of sustained inequality as younger generations are shut out of the housing market is a significant risk for Auckland

The Orakei Local Board's feedback on key themes:

- The issue of existing homeowners having undue influence on housing outcomes could be addressed by council engaging more effectively with homeowners.

Role of central government in local planning

The Orakei Local Board agrees that:

- There are difficulties in integrating land use, transport and infrastructure decisions under current legislative framework and considers that the RMA is inefficient and requires review to speed up consent processing.
- Adequate provision of social services is a significant issue for the growth of Auckland and considers that there needs to be clearer boundaries with respect to local and central government responsibilities in this space, noting that local government should not fill the gap if something is a central government responsibility.

The Orakei Local Board's feedback on the role of central government:

- Future spatial plans that combine LGA, RMA and LTMA features should be developed in partnership with central government; this would have resulted in a more balanced Auckland Plan. However, as New Zealand already has the highest centralisation government control in the OECD, this should be balanced by greater local involvement in planning and development. Local and central government could work together to achieve better spatial planning by agreeing outcomes up front as this would avoid future disagreements and unnecessary duplication.
- Council can encourage higher participation from different sectors/communities in its planning processes by devolving more to local boards that know their people and communities. The council should also involve local boards more in planning processes as this would ensure decisions reflect what local people want for their area.
- Considers that poor council planning and a lack of local engagement and decision-making is a bigger problem than the influence of homeowners on land supply.

- More effective community engagement would ensure proposals for new land-use regulation in future spatial plans are subject to rigorous and independent scrutiny.
- Ministers should not be able to direct changes to District Plans and Regional Policy Statements that provide insufficient development capacity to meet population growth. There is already a mechanism for central government to intervene by replacing elected members with a Commissioner if this is necessary.
- The board agrees with officers' thinking that the purpose of planning and land use is wider than the supply of land for housing and includes environmental and cultural wellbeing (such as parks and community facilities) but requests more clarification on the definition of environmental and cultural wellbeing.

Land and Infrastructure – Planning

The Orakei Local Board agrees that:

- Councils should identify areas of existing infrastructure capacity and ensure that planning rules do not prevent intensification from occurring in these areas.
- Watercare and AT SOIs should be amended to align with Auckland Plan housing supply objectives.
- Watercare connection charges should be based on location-specific costs.

The Orakei Local Board's feedback on planning:

- Council needs to involve Watercare and AT earlier in planning processes, such as the Unitary Plan, to ensure coordinated planning and delivery of key infrastructure which will enable growth.
- The Board opposes the removal of controls including apartment sizes, parking, balconies, height controls, as consideration needs to be given to structure and size of city we want Auckland to become.
- If zoning rules are clear and easily understood in the Unitary Plan, the issue of notification and consultation on site-specific proposed plan changes will not be a major problem.
- There are not many land use rules that should be made nationally consistent as each city and region has different needs and characteristics.
- The board agrees with the link the report draws between land use regulation, infrastructure servicing, release of land and the price of land and in turn the price of housing, as well as its conclusion that "constraints on the release of land and development capacity (within and on the edge of cities) create scarcity, limit housing choice, and increase house prices."

Infrastructure Funding

The Orakei Local Board agrees that:

- Councils should increase use of targeted rates for growth-enabling infrastructure over a longer timeframe with the proviso that the communities paying the targeted rates are directly benefiting from the infrastructure. The Board does not support region-wide targeted rates for projects where the benefit is not truly regional.
- The LGA should be amended to allow developers to request construction of growth related infrastructure to be repaid through targeted rates on properties that benefit.

- A review should take place on whether 15% is the most appropriate debt-servicing ratio for high-growth councils as long as what councils can borrow to fund is part of the scope of the review as this should be limited to core council activities.
- Councils should make more efficient use of existing infrastructure assets, including through greater use of user charges where this can reduce demands on infrastructure, as long as there is an existing route for any roading projects that have tolling introduced.

The Orakei Local Board's feedback on infrastructure funding:

- The rating system should be reviewed, which includes looking at a rating system based on land valuation as opposed to rating based on capital valuation as well as a council services charge where all ratepayers pay the same for the same services.
- PPPs could be used to match infrastructure investment to changing demand.

New tools to improve land supply for housing

The Orakei Local Board agrees that:

- The LTMA should be amended to allow pricing on existing roads if business case supports it, but only if the business case supports it.
- An IGC should be implemented to better reflect local factors that affect the cost of installing new infrastructure.

The Orakei Local Board's feedback on new tools:

- Oppose the establishment of an Urban Development Authority as this will result in little local say on how development is managed.
- The board questions whether compulsory acquisition of land is justified by the economic and societal harms resulting from a housing shortage.