



New Zealand
Planning Institute[®]
Te Kokiringa Taumata



NZPI Submission on the Productivity Commission's Using Land for Housing Issues Paper

22 December 2014

1. Introduction

The New Zealand Planning Institute (NZPI) welcomes the opportunity to provide comment on the Productivity Commission's Using Land for Housing Issues Paper.

Established in 1949, NZPI is the professional organisation representing planners and planning practitioners throughout New Zealand. NZPI is the "home of the planning profession and achieves a better future for NZ by championing the profession, promoting excellence and supporting its members. It aspires to empower planners and promote excellence." NZPI membership is broad, and individuals within our organisation have a varied range of opinions and experiences which underpin this submission.

This submission is the product of consultation with all members. This submission may not necessarily reflect the views of individual NZPI members, but rather, it reflects the views of a range of members, including minority views.

2. General comments

NZPI recognises that the Productivity Commission's current inquiry into using land for housing builds on the Commission's 2012 housing affordability inquiry. NZPI's submission to the Productivity Commission's housing affordability inquiry is available on NZPI's website.¹ NZPI supports the ongoing investigation into the optimal use of land to ensure that New Zealand has enough housing stock. NZPI also reiterates that housing affordability is complex, requiring a range of integrated tools to appropriately address the problem.

As stated in NZPI's submission on the Housing Affordability Inquiry Draft Report, NZPI remains unconvinced that an immediate release of land (specifically greenfield land without ready infrastructure servicing) for development alone will provide a long-term, sustainable solution to problem. Resource consents granted may not necessarily result in the construction and availability of dwellings on the market. Interventions such as the Housing Accords and Special Housing Areas Act is but one tool to fast track resource consents for housing which may not necessarily speed up construction. Land use is but one factor in ensuring ample housing of appropriate typologies, just as planning is but one aspect of both the potential solutions and existing problems.

3. Comments on the approach to the inquiry

A number of NZPI members think that the seventy four questions posed in the issues paper are too numerous, poorly connected, and could deter a high level, quality response from the public. NZPI members have voiced concern at the leading nature of the some of the questions posed in the issues paper. These members believe that questions may elicit anecdotal responses, which could distract from an opportunity to genuinely investigate and identify the barriers to, and potential solutions for housing affordability vis-a-vis land use.

¹ NZPI's Submission on the Productivity Commission's Housing Affordability Inquiry Draft Report, 2012.
See http://www.planning.org.nz/Story?Action=View&Story_id=2300

A number of NZPI members have questioned the Commission's narrow focus on supply of land for housing. Understanding the current and future demand for housing, including typology and location, is critical to understanding what supply is needed for the present and the future.

NZPI has responded to some of the seventy four questions posed in the inquiry, and provides additional information where possible.

4. Issues paper Q1: Is it helpful to think of the planning and development system as a means of dealing with externalities associated with land use and coordination problems? What other factors should the Commission consider in evaluating the role of the planning and development system?

A number of member NZPI members have indicated that thinking of the planning and development system as a means of dealing with externalities associated with land use coordination problems alone may not be helpful, and that this viewpoint is too narrow. Planning is only a part of any development process. Furthermore, thinking of planning and development as a system of externalities associated with land use and coordination problems is a model based on a number of potentially unrealistic or subjective assumptions. A number of NZPI members point out that there are a range of external factors that may play a greater role in influencing the availability of land for housing, and/or the affordability of, or access to appropriate housing. These factors include Reserve Bank policies, tax policies, the wider national and international economic landscape, immigration policies, individual landowner or developer decisions.

A recent report by the McKinsey Global Institute identified a number of key **myths** to affordable housing, such as: "Addressing the affordable housing gap means investing in new buildings", and "Affordable housing is an unattractive investment".² NZPI urges the Commission to look at McKinsey's report, as it provides insight into the affordable housing and problem, and recommends a number of levers for government at the national and local level.

Some NZPI members recommend that the Commission look closely at the impact of a capital value based rating system compared with a land based value system. It has been pointed out that a rating system based on capital valuation does not encourage the efficient use of urban land.

Territorial Authorities (TAs) undertake research and monitoring to better understand both the housing demand and capacity for dwellings in their respective areas. The Commission proposes to compare the performance of New Zealand's 10 TAs with the largest population increase between 2001 and 2013. A number of these TAs have critical affordable housing issues, including Auckland Council, Christchurch city, and Queenstown-Lakes District. These TAs have undertaken residential growth studies. Auckland Council's Capacity for Growth Study monitors and reports on residential, business and rural land availability in Auckland.³ Christchurch Central City's Residential Capacity

² McKinsey Global Institute- A blueprint for addressing the global affordable housing challenge, October 2014. See http://www.mckinsey.com/insights/urbanization/tackling_the_worlds_affordable_housing_challenge

³ Auckland Council Capacity for Growth Study 2013. See <http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/reports/technicalpublications/Pages/capacityforgrowthstudy.aspx>

Study uses a 3D spatial model to enable planners to test assumptions and visualise the results of different scenarios.

5. Issues paper Q2: Can the current land planning and development system be made to work better to benefit cities throughout New Zealand? Is a different type of planning system required to meet the needs for housing in New Zealand’s fastest growing cities?

A number of NZPI members believe that there is room for improvement regarding the current land planning and development system. Greater national and regional planning guidance would provide greater assistance to local government, for example. In contrast with New Zealand, overseas frameworks exist for the UK⁴, and national planning frameworks for England⁵, Wales⁶, and Scotland⁷, as well as local authorities in various Australian states. These planning frameworks provide a clear path towards identifying local and national priorities, and achieving community buy-in, while responding to community concerns.

While some NZPI members believe that some streamlining and simplifying of regulation could be helpful, many NZPI members have expressed concern that the government may be confusing “red tape” with regulation that genuinely plans for communities’ long term well-being. The leaky homes crisis is an example where relaxing regulations to cut costs has led to detrimental consequences that could have been prevented.

6. Issues paper Q3: What criteria should the Commission consider in evaluating the current land planning and development system in New Zealand?

NZPI Members have noted that the land planning and development system is not the whole problem, and that this question indicates a general lack of understanding of the wider system.

Some members have recommended the use of a proper assessment of the costs versus benefit of rules. Some members caution that commercial interests solely drive planning decisions, and that the public potentially affected by planning decisions needs to be a party to the process.

7. Issues paper Q8: Alongside the Resource Management, Local Government and Land Transport Management Acts, are there other statutes that play a significant role in New Zealand’s planning and development system? [What are they?]

Other statutes that play a significant role in New Zealand’s planning and development system include the Historic Places Act, the Reserves Act, the Building Act, and the Local Government Act.

⁴ Making the planning system work more efficiently and effectively. Department for Communities and Local Government, 2012. <https://www.gov.uk/government/policies/making-the-planning-system-work-more-efficiently-and-effectively/supporting-pages/speeding-up-the-planning-process>

⁵ National Planning Policy Framework. Department for Communities and Local Government, UK. 2012. See <http://planningguidance.planningportal.gov.uk/blog/policy/>

⁶ Policy and guidance on development plans. Welsh Government, 2014. See <http://wales.gov.uk/topics/planning/policy/policy-and-guidance-on-development-plans/?lang=en>

⁷ National Planning Framework 3: A Plan for Scotland: Ambition, Opportunity, Place. The Scottish Government, 2014. <http://www.scotland.gov.uk/Topics/Built-Environment/planning/National-Planning-Framework>

8. Issues paper Q19: What impact does transport planning have on the supply of development capacity?

Most NZPI members agree that transport planning can have significant impact on the supply of development capacity. The provision of integrated, appropriate transport critical to the provide access for new developments and development of brownfield land. A lack of adequate access to anew area is likely to lead to a delay in the development of this land. Furthermore, well planned multi-modal transport systems that provide residents and business with a range of transport options are also critical for a new development.

9. Issues paper Q53: Are there particular types of development (e.g., greenfields, infill etc.) that are less costly to service with infrastructure? What evidence can you provide about any variation in infrastructure costs?

A number of NZPI members note that there is already a significant amount of research regarding the costs of particular types of development. Research undertaken by Curtin University Sustainable Policy Institute (Western Australia) examined the costs of greenfield development versus redevelopment of existing urban areas.⁸ Curtin's research identified that for each new block on the urban fringe compared to redevelopment there is an infrastructure subsidy from various levels of government of around \$85,000.

Another example cited is Curtin University of Technology research, commissioned by Parsons Brinkerhoff Australia, to prepare a report on assessing the costs of alternative development paths in Australian cities. The report also identified urban redevelopment had a cost saving of \$86 million alone in upfront infrastructure costs (in 2007 dollars) and \$250 million for annualized transport costs over 50 years.⁹ The researchers calculated a cost of approximately \$309 million for inner city redevelopment and \$653 million for fringe development [per 1000 dwellings] for upfront infrastructure provisions costs, as well as recurring transport, greenhouse gas and activity-related health costs (p3). This report provides a breakdown of inner city and urban fringe initial capital costs (2007 dollars) of approximately \$50 million and \$136 million respectively.

The Victorian Transport Policy Institute's has also recently (April 2014) released a report on infrastructure savings from the application different policies.¹⁰ The South Australian Government has also explored the merits of urban infill versus greenfield development in a 2013 discussion paper.¹¹ In the 2013 National Infrastructure Plan, the Australian Government state points out that while greenfield development may have an immediate appeal, the total economic and social cost of

⁸ The costs of urban sprawl – infrastructure and transportation. Trubka, Newman, and Bilsborough, April 2010. See <http://crcsi.com.au/assets/Resources/b6e1625f-d90b-433d-945a-6afeff2e42f6.pdf>

⁹ Assessing the Costs of Alternative Development Paths in Australian Cities, Curtin University and Parsons Brinckerhoff Australia. Trubka, R., Newman, P. and Bilsborough, D., 2009.

See http://espace.library.curtin.edu.au/R/?func=dbin-jump-full&object_id=167112&local_base=GEN01-ERA02

¹⁰ Smart Growth Savings: What we know about public infrastructure and service costs savings and how they are misrepresented by critics. Todd Litman, Victoria Transport Policy Institute. 2014. See http://www.vtppi.org/sg_save.pdf

¹¹ Urban Infill vs Greenfield Development - A review of economic benefits and costs for Adelaide, Discussion Paper. infraPlan. December 2013. See http://dpti.sa.gov.au/__data/assets/pdf_file/0009/123210/InfraPlan_Report_Infill_versus_Greenfield_Development_Adelaide_-_Final_report.pdf

continued urban fringe development as ultimately unsustainable.¹²

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

A number of NZPI members believe that identifying the extent to which central or local government policies and practices prevent or discourage landowners from selling or developing land for housing can be difficult. NZPI would support the Commission exploring greater empirical research to understand what the real versus perceived effects of government practices are on developer/land owner behaviour.

External factors also play a significant role in preventing or discouraging landowners from selling or developing land for housing. Auckland Council's Capacity for Growth Study found, through qualitative and quantitative analysis, that the range of some barriers or reasons for delaying development were varied.¹³ Overall, the research revealed that owners had multiple intentions, and that many of the parcels had not been developed due to personal, family, or business circumstances and aspirations of owners. These circumstances included the physical and financial costs associated with developing the land, as well as land holding and speculation for capital gain, encouraged by the current taxation regime.

11. Issues paper Q72: What are the advantages and disadvantages of the Housing Accords and Special Housing Areas Act 2013 and of its implementation to date?

NZPI members have noted that the Special Housing Areas provide an opportunity for fast tracked housing development. There is, however, a risk that these areas may be land banked, i.e. held onto by owners for capital gain. It has also been noted that the Housing Accords and Special Housing Areas Act 2013 does not create a suitable framework for planning decisions. Fast-tracked supply may not necessarily result in faster development if the infrastructure is not aligned and in place for that development. Fast-tracked housing may not necessarily be affordable, either, unless developed through a partnership among private sector and community housing organisations, coordinated with the local council.

An example of a successful community housing and council partnership is that of Auckland Council together with Community Housing Aotearoa (CHA), whereby the council has agreed to provide a limited guarantee of up to \$6million for "housing bonds", worth \$30 million to kick-start more than 200 new homes for low-income families, for Retained Affordable Housing within Special Housing Areas.¹⁴

¹² Australia National Infrastructure Plan, June 2013. Infrastructure Australia. See <http://www.infrastructureaustralia.gov.au/publications/>

¹³ Memon, Dr. A., and McFarlane, K. Prolonged Vacancy of Residentially Zoned Sections in Auckland. *Planning Quarterly*, Sept. 2014, No 194.

¹⁴ Auckland housing bonds. See <http://www.aucklandcouncil.govt.nz/EN/ratesbuildingproperty/housingsupply/Documents/housingbondsfaq201412.pdf>

12. Conclusion

NZPI wishes to thank the Commission for the opportunity to provide feedback on the Using Land for Housing Issues Paper. NZPI trusts that the information provided will support the Commission's ongoing inquiry. NZPI looks forward to reviewing the Commission's draft report in May 2015.

Should you have any queries regarding the above submission content, please contact either of the following:

Susan Houston, CEO

Email: susan.houston@planning.org.nz

Telephone: 09 520 6277 ext. 6

Christina Kaiser, Senior Policy Advisor

Email: christina.kaiser@planning.org.nz

Telephone: 09 520 6277 ext. 4

Yours sincerely,



Susan Houston, CEO