Submission to the Productivity Commission Housing Affordability Draft Report

Tauranga City Council

February 2012

TCC Ref: 4740464

Introduction

In Tauranga City Council's view, housing affordability is now one of the most significant challenges facing New Zealand. Tauranga City Council (TCC) has undertaken some research into this issue and shared this with the Commission through its written submission to the original issues paper and in a follow-up meeting with one of the Commission advisors. TCC wishes to make some comments to Draft Report to assist the Commission in its work on this matter.

In this submission, TCC has generally taken the approach of focusing on selected Findings and Recommendations in the Draft Report where Council has experience or that directly affect Council operations.

Council contacts in the first instance are noted at the end of this submission and on the covering letter.

Urban Planning and Housing Affordability

Overall comment

1. TCC's assessment from reading the Draft Report is that the Commission is of the belief that the greatest improvement to housing affordability can be achieved by Council's releasing more land for development on the belief that this will reduce the scarcity of developable land, foster competition between developers and result in the developers paying significantly less for developable land. TCC experience suggests that the issue is more complex than that.

2. TCC does accept that if urban limit policies and other similar mechanisms are maintained rigidly as a planning tool to drive intensification targets or for other reasons, then the price of the limited supply of developable land will increase artificially. However TCC is of the view that this is not the case in the Western Bay of Plenty Region and that other factors will play a significant and more immediate role in improving housing affordability

3. TCC's observation is that releasing more land for development will not necessarily reduce the price that developers pay for this land. Land prices will be influenced by land being serviced with appropriate network infrastructure (water, wastewater and roading). Local servicing to at least the site boundary is normally the domain of the individual developer. This compares to the 'bulk' supply pipes and arterial roads that Council normally coordinates and provides to new areas which allow development in these areas to occur. Other factors such as topography and the costs of providing infrastructure sometimes act as de-facto urban limits as well.

4. Further, simply opening up more residential land is not prudent for a number of operational and fiscal management reasons. Services' planning is closely tied to growth projections. Again, the experience of this Council is that having multiple growth fronts to give market choice simply means that it is going to take longer to recover the cost of the infrastructure over a wider area (unless there is a significant increase in population/demand). This increases the cost of capital for bulk infrastructure which flows back into higher development contributions and higher Council debt. TCC is not currently in a financial position to take on any further debt.

5. Consideration has also been given to allowing urban development to be serviced with on-site services such as septic tank wastewater disposal or package treatment plants, roof / bore water supply and sealed roads with no kerb and channel or footpaths. In other words allowing a reduction in the normal urban level of service from that currently sought through subdivision and development consents. Again, the experience of this Council is that it does not take long for residents to start pressuring for a better level of service. Property owners coordinating and paying themselves to retrofit reticulation is highly unlikely and they seek to shift the burden to the Council and the general ratepayer.

6. Lower services standards and therefore initial start-up costs are fine in theory but in a growing city soon create issues. Retrospective installation of services is more expensive than installing them first time as part of the Greenfield development. As such it is TCC's view that urban development feasibility cannot be significantly increased by supporting extensive on-site servicing to occur; the exception being

for rural or rural residential type development which is of a different density and scale..

7. An analysis of a range of urban servicing options was undertaken in the mid 2000’s as part of the rezoning process for the new Wairakei urban growth area at Papamoa East. The MWH report on *"Sustainable Techniques for the Provision of Infrastructure for Urban Development to Papamoa East"* concluded that the current engineering water supply and wastewater disposal methods as well as Low Impact Design methods of stormwater treatment and disposal were economically effective and efficient and environmentally sound for a large urban area.

8. The issue of urban land release cannot be divorced from the issue of urban infrastructure provision and funding and other planning policies. While that is a direct cost impact, other transport or socio-economic costs and/or benefits of urban expansion (more Greenfield land) compared to urban consolidation (managed mix of Greenfield and intensification) do not appear to have been given any reasonable analysis by the Commission. By way of example, the Royal Commission on Auckland Governance Report (2009) provides a very comprehensive assessment of such matters and drew its observations on managing urban growth and integrated urban planning from a wealth of research and submission material.

9. TCC is disappointed that the Commission has not recommended that further work be undertaken into alternate mechanisms for infrastructure funding, especially in regard to lead urban infrastructure.

10. The Tauranga situation is that there is currently no capacity to increase development contributions or rates to fund the infrastructure that would be required to open up more land for urban development. Realistically there is also almost no capacity for developers to fund the millions or ten of millions of dollars that this lead infrastructure would cost due to the high level of risk and long payback periods. This lead infrastructure still has to connect into and be consistent with existing infrastructure and environmental standards. This is driven by a range of engineering and regulatory requirements. In simple, unequivocal terms, as an experienced growth management Council, TCC is attempting to reduce the amount of debt it has, opening up more land for development would undoubtedly result in the opposite outcome – more debt due to the need to provide additional urban infrastructure.

11. TCC is of the view that the Commission has failed to fully understand the ramifications of its Recommendations for Councils to release more land for development. TCC hope that this is rectified in the Final Report. TCC would like to know how the Commission proposes that Councils (or other parties) fund the substantial additional bulk infrastructure costs involved with opening up more land for development. If this issue cannot be resolved then bringing more urban land (within urban limits), abandoning urban limits entirely or rezoning more land for development will not actually increase the amount of land that is available for immediate and affordable development because land cannot be developed without roading and waters infrastructure being available.

12. TCC is happy to work with the Commission to identify the typical infrastructure costs and wider financial implications arising from opening up additional land for urban development.

13. It should also be noted that the price paid for land by developers is only one of the many costs that are incurred in delivering a section to market. These other costs are generally not affected by the land price. These other costs include:

- Earthworks.
- Local services (water, wastewater, stormwater, roading).
- The provision of infrastructure for utilities at the cost of developers rather than the utility companies (electivity, telecommunications, gas)
- Development contributions
- Other Council costs (resource consents, rates)
- Development setup costs (plan changes, concept planning, master planning)
- Indirect costs (utilities, insurance, site office, office expenses, project management, administration, legal, consultants, valuations, accounting, marketing etc)
- Direct sales costs (real estate commissions, sale and purchase agreements, transfer of title)
- Project finance (interest costs, cost of setting up lending facilities)
- Sufficient profit to secure project finance and to make the development worthwhile to take the risk
- GST – which was recently increased from 12.5% to 15%.

14. The research that Council has undertaken concludes that land prices are only likely to be up to 25% of the total cost of delivering a section to market in most cases. On this basis the assumption that NZ's housing affordability problems can be substantially resolved through developers paying less for land is highly questionable. TCC urges the Commission to explore this issue in more depth before it releases its Final Report.

15. TCC has **attached** a background report that was prepared for a Council / developer workshop on the effects of urban limits on development which may assist with the Commission's thinking.

16. By way of observation TCC comments that the price paid by developers in recent times for zoned or "future" zoned urban land is usually too high when compared to the value of the land for productive rural use. There appears to be a fixation with generating capital gain windfall from land rezoning; a farmer can get more for his land growing houses rather than crops resulting in loss of productive land and urban land speculation. Why for example, should a hectare of land valued at $60,000 for productive use suddenly be worth $600,000 plus just because it has been zoned from rural to urban? Therein lies a fundamental disconnect that appears to be in-grained into New Zealand's economy. There has to be a serious market correction against such land speculation to assist in the delivery of more affordable housing packages.

17. Since rezoning will always add a windfall capital gain for the land owner perhaps the Commission should investigate the option of a Local Government levy (that is paid by the rural land owner to the Territorial Authority on the increased valuation price of land after rezoning to urban or future urban. This would only be paid at sale and could be required to be used by the Territorial Authorities to assist with the costs of providing the necessary infrastructure to service the land. This would reduce the dependence on development contributions for cost recovery and stop those costs from flowing through to the price of developed sections, or to the land price for land needed for services corridors such as stomwater reserves..

18. TCC recognises that there has to be sufficient zoned, subdividable land available to create competition in the market. But opening up all fronts for residential subdivision will not result in cheaper prices. There is a flow on effect which TCC has experienced in the 1990's when a number of new growth areas were opened up in Tauranga; it results in a longer time for take up of serviced sections and a longer 'pay back' of development costs –for both the public and private sector.

19. TCC is applying some economic incentives to use urban land more efficiently such as per hectare development contributions. This approach provides a financial incentive to the developer to deliver higher residential densities and the development contribution charge is a fixed cost. Typically it is a variable cost that increases as the density of development increases.

20. TCC makes the observation that a lot of time and resource is being spent searching for the elusive "affordable housing" answers. If it was simple the issue would not be continually arising. Stimulating economic development that results in increased wages, salaries and household prosperity thereby increasing the ability of people to build or buy their own 'quality' house, is surely, also fundamental to achieving 'affordable' housing.

Finding 7.1

The prevailing principles and practice of urban planning have a negative influence on housing affordability in our faster-growing cities. Through their plans, councils may directly facilitate or impede residential development by constraining the amount of land they allow for the construction of new stock. Where and when land is provided influences the private and public costs of development and therefore directly influences housing prices. The widespread planning preference for increasing residential densities and limiting greenfield development to achieve this places upward pressure on house prices across the board.

Response

21. The TCC experience in growth planning and management is that a complex set of factors work together to provide the housing market with a choice of suitably zoned residential land, capable of producing a range of housing types. Choice covers both greenfield and intensification opportunities; the right type of development in the right place at the right time.

22. The type of information that influences housing delivery through regulatory tools such as district plans includes:

- A knowledge of past and future demographic trends
- Geographic area development capacity and density/yield achievability
- The level of private sector support for planning provisions and other related tools such as contributions
- An understanding of local supply and demand factors
- An understanding of the role various regulatory, economic and financial instruments can play in delivery
- The expectations of local communities for their neighbourhoods
- An understanding of the 'trade off's' that people make in their housing decisions

- An understanding of the strong influence on housing affordability of financial lending policies.

23. The market needs a level of certainty about city growth direction on which to base development investment decisions. These may be for short to medium term. Council needs the same certainty upon which to base significant, long term capital investment decisions for public sector resources – within and beyond the Ten Year Plan process and then recoup that investment back through limited financial instruments. Finally, the wider community wants certainty as to the general type and scale of development likely in their local neighbourhood. Local neighbourhood interests loom large in the planning thinking of local councils and should not be underestimated.

24. A reasonable level of investment certainty can be provided through anchoring high-level urban growth strategies into regulatory plans such as the district plan. A plan can actually provide for/enable a significant proportion of residential subdivision and development activity if the cumulative land use, transportation and fiscal implications/outcomes are generally understood by all parties.

25. Tauranga has a significant amount of completed sections that are available to build on as well as a significant amount of land that is zoned and serviced where development could be undertaken immediately. Out to 2051, approximately 70% of Tauranga City's population growth is currently expected to be accommodated through 'greenfield' development with approximately 30% to be delivered through infill housing and intensification.

26. There are well over 1,000 vacant residential sections currently in Tauranga. In addition to these 1,000+ sections, the SmartGrowth Development Trends Report (published jointly by TCC and Western Bay of Plenty District Council annually) identifies how much development capacity is currently available in the city. That report identifies that there is capacity for a further 8,650 residential lots in the existing urban growth areas of Bethlehem, Pyes Pa, Pyes Pa West, Ohauiti, Welcome Bay and Papamoa. These areas are appropriately zoned for urban development, planned to be serviced, and are within the urban limits identified under the SmartGrowth Strategy and subsequently in the Regional Policy Statement.

27. It should be noted that the latest Development Trends Report was completed prior to Northwest Bethlehem and Wairakei urban growth areas being rezoned for urban development. In addition to the estimated 8,650 residential lots identified above, Northwest Bethlehem provides capacity for a further 200 lots and Wairakei provides capacity for a further 3,200 lots. This increases the remaining capacity within Tauranga's zoned Greenfield development areas to 12,050 lots.

28. The majority of these lots are currently serviced or could be serviced with only a small amount of additional infrastructure investment on the part of Council. That is, they are an efficient extension of the residential land supply. The major exception to this is Wairakei in which only 1,000 of the 3,200 lots can be developed with minimal additional Council investment. It should also be noted that a moderate amount of infrastructure investment is required for the remainder of stage 2 and all of stage 3 of The Lakes subdivision to be completed.

29. The amount of development capacity available in the city demonstrates that Council's land release and infrastructure servicing programmes ensure not only that sufficient land is available to meet demand, but that a large amount of

excess land supply is available at any point in time. This means that the current urban limits are not a significant binding constraint on development and that competition should exist within the urban limits due to the extensive current or planned land supply that Council has made available for development.

30. In addition to the 'greenfield' development capacity outlined above there is substantial scope for residential infill and intensification to occur within the established part of the city. Further work is scheduled to review this element of the land supply equation having regard to the character and amenity enjoyed and often guarded by suburban communities, but these opportunities already add to the current supply of developable residential land.

31. It is also important to note that Council has identified future urban growth areas that have capacity to provide a further 16,500 residential lots approximately. This land will be released to market as required and within Council's fiscal envelope constraints. The price of some of this land for development has been affected by fragmentation of titles into horticultural and lifestyle blocks that can make large scale affordable development a challenge. But, that reflects is the historic land use decisions and the Bay of Plenty's horticultural suitability..

32. It should also be noted that the above commentary on land supply in Tauranga ignores the substantial amount of land available for urban development in the proximate towns of Omokoroa, Te Puke and Katikati which are located in the Western Bay of Plenty District. All of these townships to some degree accommodate people who commute to Tauranga for employment, education and to use other services and facilities. They are in accordance with the overall sub-regional urban growth strategy (SmartGrowth) being implemented in the Western Bay of Plenty Region.

33. Changes to District Plans to open up more land can be made through the RMA 1991 Schedule 1 process. However of concern to TCC is that, as currently written, this RMA process is unduly complicated, requires a high level of evidential work, and is litigious and generally costly to many parties. The aspirational nature of the RMA compounds the process. The Commission should explore this significant regulatory cost/constraint further in the light of Government's review of policy making and implementation under the RMA.

Recommendation 7.1

Auckland Council should show in its final Auckland Plan how it has considered and reconciled affordable housing alongside its other priorities.

Response

34. TCC has not specific comment to make on the Auckland Plan.

Recommendation 7.2

Bring significant tracts of greenfield and brownfield land to the market in Auckland – identify and assemble land that could be quickly released and identify significant tracts of land with the potential for (say) 50 years' development, with at least 20 years' worth under preparation for development.

Response

35. TCC has not specific comment to make on the Auckland situation. It refers the Commission back to its response to Finding 7.1 above in terms of long term housing land supply in the Western Bay of Plenty Region.

Recommendation 7.3

Auckland Council should look to collaborative models for the process of identifying, assembling and releasing large scale tracts of land.

Response

36. TCC works collaboratively with its SmartGrowth partners, other public and private agencies and private sector interests on sub-regional growth issues. This collaborative approach to growth management has evolved in the Western Bay of Plenty Region over the last ten years and is recommended to the Commission as a model for application elsewhere in NZ.

Finding 7.2

Promoting greater affordability of land and houses, providing for diverse demand, encouraging home ownership, and reducing the negative impact of land banking can be addressed by:

- An active approach to the identification, consenting, release, and development of land for housing in the inner city, suburbs, and city edge.
- Adopting a strategy that allows for both intensification within existing urban boundaries and orderly expansion beyond them to promote efficient urban development, offer a range of lifestyles, and avoid imposing unreasonable and costly constraints on individual segments within the housing market by recognising the benefits of advancing multiple forms of development.
- Identifying substantial areas of brownfield and greenfield land for development, with provision for more efficient use of existing suburban areas through infill where practical and acknowledging the likelihood that greenfield development also provides an opportunity to achieve medium density settlement.
- Promoting competition between developers for the sale of construction-ready sections.

Response

37. TCC refers the Commission back to its response to Finding 7.1 above. TCC reiterates that the issue is more complex than indicated by the Commission's report findings.

Recommendation 7.4

Territorial authorities:

- Take a less constrained approach to the identification, consenting, release, and development of land for housing in the inner city, suburbs, and city edge.
- Adopt a strategy that allows for both intensification within existing urban boundaries and orderly expansion beyond them.
- Develop strategies that promote adequate competition between developers for the right to develop land.

Response

38. TCC refers the Commission back to its response to Finding 7.1 above. TCC supports the finding that overall growth strategies be developed, as has occurred in the Western Bay of Plenty Region. The implementation of such strategies by territorial authorities, having regard to the legislation framework of the RMA, the Local Government Act 2002 and other relevant legislation currently presents some significant challenges that the Commission should assess further.

Finding 7.3

Current legislation does not appear to provide a framework either within or between the Resource Management Act and Local Government Act whereby councils (and other government agencies) might test the trade-offs among objectives and outcomes associated with the four well-beings to reach a position which clearly establishes defensible priorities. The Acts both jointly and individually have purposes which may be difficult to fulfil without recourse to such frameworks.

39. In TCC's view the RMA especially does not adequately deal with the complexities of urban growth. This seems to have been recognised by Government as it featured in the recent RMA reform discussion document titled *Building Better Cities*. Unfortunately little positive progress on these issues seems to have been made.

Charging for Infrastructure

Finding 8.1

Infrastructure charges, especially development contributions, can be difficult and costly to implement. While housing affordability may be diminished, infrastructure has to be paid for. If implemented well, the charges will reflect the incremental costs of necessary infrastructure, and can encourage more efficient investment and location decisions.

Response

40. The research into housing affordability undertaken by TCC is consistent with the above assertion that development contributions diminish housing affordability. However, as the Commission states, infrastructure has to be funded and development contributions or rates are the only two real alternatives to funding growth-related infrastructure costs that Councils currently have available to them.

As such a choice to improve housing affordability by reducing or removing development contribution charges would have the direct effect of substantially increasing rates.

41. The Commission also needs to understand that Levels of Service for infrastructure are important determinants of the cost of infrastructure and therefore the amount of development contribution charges. It may be timely to consider whether the right balance is being struck between the quality of infrastructure and the cost of infrastructure. Some public Levels of Service are set at a national level (e.g. drinking water standards or water quality for wastewater discharge) while others are set by Councils under the Local Government Act 2002 processes or determined by developers for marketing reasons.

42. As mentioned earlier in this submission TCC's view is that if Councils open up more land for development then the funding methods of the related infrastructure that would be required need to be reconsidered because development contributions and rates are not adequate funding sources as things currently stand.

Recommendation 8.1

That the Government update the Best Practice Guidelines to Development Contributions, based on a process that takes account of the experience of both councils and the industry. The principles in the guidelines might be given statutory status by being incorporated into Schedule 13 of the LGA.

Response

43. TCC generally supports this recommendation. Of potential concern is that the revised Best Practice Guidelines may end up being so prescriptive that they disregard some methods applied by some council's to development contributions, not because they are not good practice but because they are not consistent with common practice in the industry. To ensure this does not happen, TCC wishes to have a significant involvement in any review of these Guidelines based on its extensive experience in developing and applying contributions to urban development.

44. As an example, TCC undertakes extensive structure planning for all new urban growth areas (i.e. future suburbs). These structure plans identify the major urban network and reserves infrastructure that is required for development of the whole urban growth area. This practice allows TCC to determine infrastructure costs that can appropriately be development contribution funded in accordance with the LGA. The development period for an urban growth area may be 20 or 25 years plus from the time the land is rezoned to the time subdivision and development of all of the land in the growth area is completed.

45. TCC's approach is to have development contribution charges for each growth area. These charges include all of the local infrastructure which Council has determined should be development contribution funded for that urban growth area, not just the infrastructure that has already been built or will be built within the next 10 years (which is the approach taken by most, if not all, other Councils). This approach results in far less variability over time in development contribution

charges within a particular area. Council is committed to retaining this policy approach which is well understood and generally accepted as being fair by the local development community. It would not want to see this practice become inconsistent with nationally focused Guidelines that are designed to achieve absolute conformity amongst Councils.

46. TCC views recommendation 8.1 as an opportunity to resolve some of the shortcomings or uncertainties associated with the development contribution provisions in the LGA. For example, TCC believes that an intergenerational adjustment to its development contribution charges should keep these charges constant in real terms over time. This would result in lower nominal contribution charges now and higher nominal contribution charges in the future that reflect changes to purchasing power and incomes over time in a manner that achieves equity between current developers and future developers. It is TCC's view that current developers are paying more than their fair share relative to future developers. TCC is constrained in its ability to resolve this issue under the LGA according legal advice it has received.

Finding 8.2

Development contributions are most likely to be justified only for major items of infrastructure, especially network infrastructure, where closed or partially-closed access enhances the ability to charge the beneficiaries, and which justify public supply. Observing these criteria mean that offsite water, wastewater, stormwater, and roads are the categories best suited for funding through development contributions.

Response

47. The term 'offsite' used in finding 8.2 above is ambiguous. 'Offsite' could refer to infrastructure that is located within a subdivision but not within the actual sections within that subdivision. Alternately 'offsite' could refer only to 'bulk' or 'trunk' infrastructure that is located completely outside a subdivision. TCC has adopted the second interpretation in its response below.

48. TCC agrees that offsite water, wastewater, stormwater and roads are appropriate for development contributions funding. This focuses essentially on the cumulative effects of growth. However in Council's view development contribution funding for other types of infrastructure is also appropriate and necessary.

49. For example, part of the cost of onsite water, wastewater, stormwater and roads is appropriately funded through development contributions in instances where developers put in services that provide additional capacity to cater for upstream or downstream development. They do this to ensure orderly and effective development of the whole structure planned growth area of which they form a part. This might be in the form of a developer building a 4 lane road instead of a 2 lane road which would be adequate for the individual development; the greater capacity cost is then recouped from other development in the vicinity that use that road through development contributions. Other examples include the additional cost of providing water, wastewater or stormwater pipes that are of a greater diameter than required as the result of just an individual development. These costs are commonly referred to as "extra over" costs and, in TCC's view, are appropriate for development contribution funding.

50. TCC strongly disagrees that development contributions are only suitable for funding the 'three waters' and roads. Development contributions can be an appropriate mechanism for reserves and for community infrastructure such as libraries where city growth generates additional demand for these facilities. This growth results in Councils incurring capital expenditure providing for new facilities or increasing the capacity of existing facilities. If these costs are not funded through development contributions then additional rate funding would be required, as experience indicates that user fees and charges would nowhere near be adequate to fund these costs.

51. TCC interprets the Commission's position in its report that neighbourhood reserves should be vested to Council by developers rather than being funded through development contributions. TCC agrees with this in theory but in practice this is not always possible. For instance, development often occurs in areas where land holdings are fragmented and have multiple owners. Often a neighbourhood reserve will be located in one of these land holdings but will service other development in close proximity. This is normal, sensible neighbourhood open space planning. In this situation it would be unfair and probably ultra vires, to require one developer to provide a neighbourhood reserve at its sole cost when it benefits a number of other developments which do not incur this cost. Hence, the use of development contribution funding is an appropriate way to share this cost in an equitable manner across development that will use the reserve.

52. TCC requests that the Commission's Final Report reflects the practice outlined above.

Recommendation 8.2

That the Government leads training to enable councils to enhance their skills in implementing the proposed Best Practice Guidelines for Development Contributions.

Response

53. TCC can offer expertise in this area based on its extensive experience in developing and applying contributions to urban development. This may be particularly useful to smaller Council's which face significant financial and resource constraints in relation to the development, review and implementation of their development contribution policies.

Recommendation 8.3

That as part of the process of updating the Best Practice Guidelines to Development Contributions, the Government:

- identify information that councils would need to provide in regular reports to demonstrate compliance with the Guidelines
- develop a process for regular auditing of councils to assess their adherence to the Guidelines.

Response

54. Recommendation 8.3 would create additional costs for both Councils and Central Government. Two separate processes are recommended to monitor Councils' compliance with the Guidelines (information reporting and audits). The two separate processes seem designed to achieve the same outcome (to determine where or not a Council is complying with the Guidelines). If any additional process is needed then surely one process should suffice.

55. Council notes that in the Commission's Draft Report it favours the consideration of merits reviews in relation to development contributions. This is not stated in any Findings or Recommendations in the Report. TCC's view is that if development contribution policies have to be consistent with the Guidelines and compliance is monitored then there would be no need for a merits review mechanism. This merely adds further compliance costs. Council's meeting the Guidelines should not have additional cots imposed.

56. It is noted that as part of the TAFM amendments to the LGA, the requirement for Audit NZ to audit development contribution policies was removed. Recommendation 8.3 appears to conflict with the Government's recent policy direction on this matter; in fact using the Auditor General's audit expertise might be usefully reconsidered by the Commission in relation to Recommendation 8.3.

Building Regulations and Affordability

Recommendation 9.1

- The Department of Building and Housing publish for each BCA, the total time taken between receiving applications and finally granting consents and the number of occasions where each BCA has used the 'stop the clock' provision.
- The Department of Building and Housing audit the 'stop the clock' information from a sample of BCAs.

Response

57. TCC has internal auditing systems in place for recording the time taken to process a consent and when the clock is stopped for requests for additional information. These statistics are available to the Department of Building and Housing (DBH). TCC has no objection to a national audit of consent processing times similar to the bi-annual audit run by the Ministry for the Environment for resource consents. The quality of applications continues to be an issue prompting the need for further information requests.

Recommendation 9.2

The Law Commission give regard in its review of the application of joint and several liability on the incentives faced by regulators.

Response

58. TCC would support any positive changes to the current joint and several liability laws and for the Law Commission to investigate a policy on proportional liability for all parties involved in the consent and construction process.

Recommendation 9.3

The Department of Building and Housing report on its ongoing evaluation of the reforms on the allocation of risks between parties to building work five years after introduction.

Response

59. TCC agree that a reporting mechanism is put in place by the DBH to evaluate the benefits or barriers to any proposed reforms but a five year period may be too long a period as was evidenced with the weathertight issue where territorial authorities were expressing concerns well before the Hunn Report was commissioned.

Recommendation 9.4

The Department of Building and Housing should provide more specific guidance for Building Consent Authorities about what is required for an alternative solution to comply with the Building Code.

Response

60. Alternative solutions are routinely considered and approved. On occasions where approval is not forthcoming, the determination process is available. Tauranga City Council therefore does not think specific guidance is necessary.

Recommendation 9.5

The Department of Building and Housing should review the Multi-proof building consent process with a focus on identifying barriers to its application, and suggesting ways to overcome these barriers.

Response

61. One barrier to the Multi-proof consenting approval is that the DBH have forty working days to process an approval where a BCA has only twenty working days to complete both a Project Information Memorandum and Building Consent.

The Performance of the Building Industry

Finding 10.1

- During the recent housing boom, the cost of building a standard house has increased at a greater rate than inflation.
- The cost of both building materials and building a standard house is substantially higher than in Australia.
- A trend toward larger and higher specification houses is also contributing to increased costs. Factors driving this trend include changing consumer preferences, the use of covenants, and a desire to avoid under-capitalising given current section prices.

Response

62. TCC technical staff, from their knowledge of the industry, do agree that the costs of materials in comparison to Australia is higher in New Zealand. However, the principal cost barrier continues to be the cost of land.

63. As stated above there is a trend toward larger and higher specification houses in contributing toward the increased cost of housing and that one of the factors driving this trend is the use of covenants by developers. TCC agrees with this finding and strongly suggests that the Commission recommends the investigation of a legal mechanism or other options to discourage developers from essentially prohibiting the delivery of smaller houses constructed out of more affordable materials through the use of private land covenants (or other similar mechanisms). Covenants also impede flexibility for owners to upgrade, extend and alter homes (e.g. covenants which restrict certain types of roofing over large areas of housing).

64. TCC makes this suggestion because NZ cannot seriously address its housing affordability problems if in many cases it is not even possible to build an ‘affordable’ house on many of the new sections that are created.

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Attachment A

THE EFFECTS OF URBAN LIMITS ON DEVELOPMENT

BACKGROUND DOCUMENT FOR COUNCIL WORKSHOP ON WEDNESDAY, 14 SEPTEMBER 2011

August 2011

PURPOSE AND BACKGROUND

When the Wairakei Development Feasibility Report was presented to elected members, staff were directed to bring back information on the effects of Tauranga's urban limits policies on development generally within the City.

This was confirmed at the first growth funding workshop. And as a result this workshop was arranged.

It should be noted that the implementation of urban limits are a significant issue for all SmartGrowth partners (TCC, WBOPDC, BOPRC, NZTA and Tangata Whenua) as well as other people and organisations such as Zespri to name but one.

The following issues are addressed in this report:

1. Urban limits defined and Tauranga's urban limits (including the rationale for them)
2. The flexibility of Tauranga's urban limits
3. Is Council providing sufficient zoned and serviced land for development?
4. The relationship between urban limits and intensification
5. The relationship between urban limits and population growth
6. The relationship between urban limits and yields
7. Criticisms of urban limits
8. Could urban limits be relaxed by allowing non-reticulated development?
9. Infrastructure servicing and de facto urban limits
10. The long-term approach to urban limits.

1. URBAN LIMITS DEFINED & TAURANGA'S URBAN LIMITS

Urban limits are a planning tool that is used to delineate where urban development is expected to take place and where it is not expected to take place.

In simplistic terms it is a line drawn on a map. Land within the urban limit line can be developed into urban land uses and land outside this line cannot be developed into urban land uses.

The current urban limits within the Western Bay of Plenty were determined through the development of SmartGrowth. SmartGrowth sets out the urban limits for the period to 2021 and then identifies how these urban limits will be expanded after this date to accommodate growth out to 2051.

The areas of Tauranga currently within the urban limits are:

- Tauranga & Mt Maunganui infill areas
- Bethlehem (incl. West and Northwest Bethlehem)
- Tauriko (industrial)
- Pyes Pa West
- Pyes Pa
- Ohauiti
- Welcome Bay
- Papamoa
- Wairakei.

The areas envisaged to come within the urban limits prior to 2051 are listed below and with the indicative date at which they will be brought into the urban limit and available for urban land uses.

- Te Tumu (2021)
- Pyes Pa West extension –Keenan Road (2021)
- Pukemapu Road (2021)
- Upper Ohauiti (2026)
- Welcome Bay South – Kaitemako (2026)
- Neewood Road (2036).

All other areas in and around Tauranga are outside the anticipated urban limits until at least 2051.

Without getting into any detail or discussion about their merits, the following reasons were used to justify the current urban limits:

1. Ensure infrastructure investment by Council and other parties is not compromised by growth occurring in areas where it was not expected i.e. aligning land use, infrastructure and funding and ensuring logical growth sequencing. This includes the SIF and BIF funded infrastructure that Council provides.

   A further example of this is the investment that NZTA is putting into the State Highway network in and around Tauranga. There is a desire within NZTA for development to be located in areas that align with their investment decisions (e.g.

TEL) and for urban sprawl not to occur outside the urban limits that would impact on the State Highway network.

2. Protect of productive, economic capacity of rural land located in the Western Bay of Plenty. Most of this land is located in the WBOP District and is in various rural land uses – kiwifruit being the most predominant.

3. Protect natural features and landscapes, including the coastline and the harbour. This is a matter of national importance in the RMA 1991 and is also required under the NZ Costal Policy Statement.

4. Ensure sustainability, particularly in regard to greenhouse gas emissions from transport. These are thought to be reduced through a more compact urban form due to shorter travel distances and greater use of public transport.

5. Minimise reverse sensitivity issues associated with urban development occurring in areas where incompatible rural land uses also exist.

6. The planned growth of existing, serviced settlements in the WBOP District e.g. Te Puke, Omokoroa and Katikati.

2. THE FLEXIBILITY OF TAURANGA'S URBAN LIMITS

The urban limits that were agreed in SmartGrowth are given statutory effect in the Regional Policy Statement (RPS). As elected members are aware, TCC is required to give effect to the RPS. This is done primarily through its City Plan and TYP.

While there are criteria in the RPS that would allow development to take place outside the urban limits or for growth areas within the urban limits to be developed ahead of their indicative timings, these criteria appear reasonably difficult to satisfy. As such, there is currently little flexibility in Tauranga's current urban limits i.e. it would be difficult for a developer to have the urban limit line shifted or to have land zoned for urban development outside the existing urban limits.

The relevant section of the RPS is attached to this report, with the criteria for amendment to the urban limits and other key provisions highlighted grey.

3. IS COUNCIL PROVIDING SUFFICENT ZONED AND SERVICED LAND FOR DEVELOPMENT?

One argument that is levelled against urban limits is that it can result in too little land being made available for development. It is worth briefly exploring whether this is the case in Tauranga.

Firstly it is noted that there are well over 1,000 vacant residential sections currently in Tauranga. Given that demand is currently at very low levels this equates to a significant over supply of residential sections. This over supply has had a number of effects:

1. Very little new subdivision development is taking place
2. It has led to significant price discounting in some subdivisions e.g. Ballintoy Park (now from $85,000) and Utopia Park (now $110,000-$150,000)
3. Receivership of The Lakes and other subdivisions such as Utopia Park and Ascot Downs.

While there is a significant over supply of residential sections in the current market, if the market improves significantly this over supply could disappear reasonably quickly (18 months – 2 years). As such, it is important to look at how much land is currently available for development in the city. It should be noted that if the market doesn't improve sufficient stock exists to meet demand for 5+ years.

The SmartGrowth Development Trends Report identifies how much development capacity is currently available in the city. That report identifies that there is capacity for a further 8,650 residential lots in the urban growth areas of Bethlehem, Pyes Pa, Pyes Pa West, Ohauiti, Welcome Bay and Papamoa. These areas are appropriately zoned for urban development and are within the urban limits.

It should be noted that the latest Development Trends Report was completed prior to Northwest Bethlehem and Wairakei being rezoned for urban development. In addition to the 8,650 residential lots identified above, Northwest Bethlehem provides capacity for a further 200 lots and Wairakei provides capacity for a further 3,200 lots. This increases the remaining capacity within Tauranga's zoned greenfield development areas to 12,050 lots.

The majority of these lots are currently serviced or could be serviced with only a small amount of additional infrastructure investment on the part of Council. The major exception to this is Wairakei in which only 1,000 of the 3,200 lots can be developed with minimal additional Council investment. It should also be noted that a moderate amount of infrastructure investment is required for the remainder of stage 2 and all of stage 3 of The Lakes subdivision to be completed.

The amount of development capacity available in the city demonstrates that Council's land release and infrastructure servicing programmes ensure not only that sufficient land is available to meet demand, but that a large amount of excess land supply is available at any point in time. This means that the current urban limits are not a significant binding constraint on development and that competition should exist within the urban limits due to the excess land supply that Council has made available for development.

4. THE RELATIONSHIP BETWEEN URBAN LIMITS AND INTENSIFICATION

The current Settlement Pattern in SmartGrowth is based on a significant amount of growth being delivered through infill and intensification in the established part of the city. Currently there is little in the way of this type of development occurring (especially intensification) and there is a real risk that the amount of infill/intensification currently envisaged will not be delivered in the long-term. Challenges associated with delivering this type of development include:

1. The lack of any large scale redevelopment sites (brownfield sites). Because of this there is a need for site amalgamation and for the destruction of significant capital improvements (e.g. existing houses). This is a significant financial hurdle for intensification projects. Capital improvements are lowest in lower decile suburbs but there is little demand for intensive living in these suburbs and it would necessitate the removal of some of Tauranga's lowest priced and therefore most affordable houses.

2. More intensive residential development often involves building upwards. The cost of doing so compared with building single level dwellings is much higher. This is especially true for medium to high rise development with concrete and steel construction and underground car parking.

3. The final cost of intensive housing product often means that it is only affordable to the upper / luxury end of the market and even then it may not compare favourably with the cost of alternatives offered to this market e.g. detached dwellings.

4. Development finance is relatively expensive and difficult to obtain for this type of housing product.

5. Mortgage lending criteria is substantially tighter for this type of residential product. In particular, minimum deposit requirements are much greater. This reduces the pool of people who can afford this type of product compared to a detached dwelling at the same price.

6. TCC has experienced significant community resistance to proposals for large scale intensification projects in existing suburbs which envisaged the replacement of existing dwellings with much more intensive residential housing typologies.

To balance this there are some examples of successful intensification projects in Tauranga such as Urban Ridge and Excelsa Village. A future option to facilitate further intensification projects might be for Council to enter into joint ventures with developers through the use of surplus Council-owned land holdings.

If infill and intensification targets are not met there will be more pressure on greenfield areas to accommodate the city's growth. This in turn may put pressure on the urban limits. This demonstrates the importance of having realistic infill/intensification growth assumptions when setting urban limits as well as the importance of the on-going monitoring of the amount of infill/intensification development that is taking place.

5. THE RELATIONSHIP BETWEEN URBAN LIMITS AND POPULATION GROWTH

The rate of population growth is likely to have significant bearing on the effects of the current urban limits on urban development. If the growth rate remain low the urban limits are likely to have little impact because there is unlikely to be significant pressure from developers to develop land outside the urban limits. However, if the population growth rate increases their may be more pressure from developers to develop land that sits outside the current urban limits.

6. THE RELATIONSHIP BETWEEN URBAN LIMITS AND YIELDS

The current SmartGrowth urban limits are based on yields of 15 lots per hectare being achieved in new urban growth areas. These new urban growth areas include Pyes Pa West, Wairakei and Northwest Bethlehem but do not include the older urban growth areas of Bethlehem, West Bethlehem, Pyes Pa, Ohauiti, Welcome Bay and Papamoa.

The table below shows much additional land would be required as the result of various scenarios of lower yields. The additional land requirement is shown as a percentage of the total amount of land within the new residential growth areas.

Average yield achieved	**Additional land required**
15 lots / ha	0%
14 lots / ha	7.1%
13 lots / ha	15.4%
12 lots / ha	25%

This shows that the urban limits would have to be expanded to accommodate the current growth projections, if the yields that were delivered were less than 15 lots per ha and the growth projections were proved to be accurate.

7. CRITISIMS OF URBAN LIMITS

Some argue that urban limits are the primary reason why new housing is so unaffordable, or that urban limits are at least a significant factor that contributes to the high cost of new housing.

The argument goes that urban limits constrain the amount of available land for development and this in turn gives market power to the owners of this land who are able to extract high prices when selling to developers.

In addition, it is argued that developers who own land within the urban limits have increased market power because competition (or the threat of competition) from other developers is limited. Because of this it is argued that developers may be able to sell sections at prices significantly above what would exist in a more competitive market (i.e. they are able to make profits that are higher than would be sufficient for development to occur).

It is conceivable that the arguments above have at least some merit, especially in situations where the market demand for sections exceeds supply within the urban limits, i.e. in circumstances where urban limits are a binding constraint on the total amount of development that can occur (which is not the case in Tauranga).

However development viability and housing affordability considerations constrain to some extent the amount in which developable land prices can rise as the result of constrained supply.

It should also be noted that the price paid by developers for land is only one of the costs associated with developing a subdivision. There are a number of other costs and these other costs tend to outweigh the land input costs. These other costs include:

- Development setup costs (plan changes, master planning)
- Lot development costs (earthworks, water, wastewater, stormwater, roading, electricity, gas, telecommunications)
- Development contributions
- Other Council costs (resource consents, rates)
- Indirect costs (utilities, insurance, site office, office expenses, project management, administration, legal, consultants, valuations, accounting, marketing etc)
- Direct sales costs (real estate commissions, sale and purchase agreements, transfer of title)
- Project finance costs (interest costs, cost to set up lending facilities)
- Sufficient profit to secure project finance (gross margin of at least 25%, appropriate internal rates of return)
- GST (to the purchaser).

The Wairakei Development Viability Report concluded that the land input cost would be between about 10 and 25% of the total subdivision development costs in that area depending on how/when the land was purchased. On this basis, the effect of reducing the land input cost would only have a limited impact on how much developers could reduce section prices.

Lot development costs were expected to be between 40 and 45% of the total subdivision development costs and development contributions were expected to be between about 20 and 25% of the total costs.

None of the other costs were greater than 5% of the total subdivision development costs.

8. COULD URBAN LIMITS BE RELAXED BY ALLOWING NON-RETICULATED DEVELOPMENT?

Some elected members have expressed the view that TCC should consider allowing urban development that is serviced by on-site water and wastewater systems rather than reticulated systems to occur outside the present urban limits as a way of possibly:

- Reducing the land component of development costs
- Delivering more affordable housing
- Not having to invest in expensive reticulated water and wastewater infrastructure.

There was also suggestion that other costs could be reduced by allowing narrower roads and by dealing with roading related stormwater through grass swales as opposed to kerb and channel. In other words, it has been suggested that it might be appropriate to reduce the level of service (LOS) to something akin to the LOS provided in subdivisions back in the 1950's and 1960's.

This matter is addressed now because it effects the validity of the staff view (explained in more detail later) that even if the urban limit lines were removed, infrastructure servicing constraints would act as de facto urban limits i.e. that the removal of the urban limit lines would have little, if any, impact on the amount of land available for urban development unless Council invested in more infrastructure.

If this non-reticulated development option was viable it would overcome the problem of the availability of reticulated infrastructure services acting as a de facto urban limit. The question is whether it would be a viable form of development.

History in Tauranga associated with the need to provide reticulated infrastructure to the Papamoa township after amalgamation suggests that it is not a viable long-term form of development. This came at a significant financial cost to the whole community.

The Council Utilities Planner has looked into the cost of septic tanks and has found the following:

- Normal septic tanks cost around $7,500 however if a two stage tank is required in a sensitive area (around harbor or lake edges) the cost could be up to $20,000. As such the initial capital cost is high.

- The tanks need servicing every 3 - 4 years depending on loadings. This costs around $450.

- The maximum density for septic tanks is 1/1500m² which really means a minimum lot size of 1500m². This means that sections would need to be much larger than section sizes in reticulated areas.

- The BOPRC, through its On-site Effluent Treatment Plan, regulates further matters in relation to septic tanks such as location with regard to water supplies, location with regard to land stability, water table depths etc.

- The BOPRC "On Site Effluent Treatment Regional Plan" also refers to the need for future plans to reticulate residential areas. As such, it is unlikely that the

BOPRC would approve consents for non-reticulated urban developments of a significant scale unless a strategy existed for the future reticulation of these areas. This would lead to inefficiencies in the sense that the initial septic tank would become redundant in the future when reticulation took place. Obviously the high cost of providing reticulated wastewater infrastructure would also have to be funded in the future.

The cost of an appropriate sized water tank for domestic use (15,000 litres) is approximately $3,500. However significantly larger and more expensive water tanks may be needed to meet the fire fighting requirements.

Possible cost saving options for reduced width roads and grass swales instead of kerb and channel have not been explored as they could equally be incorporated into development that has reticulated water/wastewater as a development that does not.

It should also be noted that if non-reticulated subdivision activity was significant that it would draw some growth away from Council's urban growth areas. This would result in lower SIF and BIF revenue. This in turn would result in growth funded debt being repaid more slowly and thus interest costs on these loans increasing. To fund these additional interest costs would necessitate an increase to the SIF/BIF charges or additional rate funding.

Initial conclusions

The staff view is that the capital cost associated with on-site water and wastewater services is likely to be similar to the cost of providing reticulated services.

Allowing on-site servicing to take place would free up the amount of land available for development across the greater Tauranga area, and would therefore potentially lead to lower land input costs for developers. However, on the other hand, section sizes would have to be a minimum of 2-3 times larger than sections that have reticulated wastewater. As such, it is unlikely that section prices could be delivered to market at a substantial discount to current section prices.

Typically large houses are built on large sections. If this was the case, it would not contribute toward delivering more affordable houses. The demand for sections this large is also questionable given the time involved in upkeep.

There would also be adverse environmental effects on water and soil resources from on-site wastewater servicing.

Overall, staff are of the view that it is unlikely that non-reticulated subdivisions would be a financially viable means to deliver a material amount of residential sections.

9. INFRASTRUCTURE SERVICING & DE FACTO URBAN LIMITS

Assuming that urban development is serviced with reticulated water and wastewater infrastructure, the availability (or lack of) infrastructure services will act as de facto urban limits even if the actual urban limits were removed. This is because intensive urban development (residential, commercial or industrial) cannot take place without appropriate infrastructure services. On this basis, the removal of urban limits is unlikely to have a significant affect on the amount of land available for development in and around Tauranga City.

As such, <u>if</u> urban limits are actually a problem the underlying cause of this problem is the ability to fund the necessary infrastructure services, and this is where staff believe the discussion and debate should probably be focused.

The obvious answer to resolve infrastructure servicing constraints is for Council to build more infrastructure so that development can take place in more locations. The financial realities of this option are however challenging in a number of ways:

1. The capital cost of building infrastructure to service growth areas of a reasonable scale is large. For example, the capital cost to Council of providing infrastructure to service Wairakei is well over $100m. Opening up more land for urban development would require further capital investment of this magnitude to occur.

2. Council does not currently have the debt capacity to contemplate servicing more land for urban development without facing significant downgrades to its credit rating (and probably community resistance). If Council's credit rating was downgraded the cost of <u>all</u> of Council's debt would increase which would flow into higher rates and higher development contributions.

3. More infrastructure means more operating expenses, including the funding of depreciation. These costs are rate funded and would be significant. They would be fully funded by the existing community until the new ratepayers arrive over time.

4. Regardless of how much land is available for development in Tauranga, there is only so much growth that it can attract. Currently Council has more than sufficient zoned and serviced land to accommodate this growth. If growth increases back to the levels it was during the 1990's and early 2000's the land within the current urban limits would still provide more than adequate capacity to accommodate this growth.

   If Council built infrastructure to allow urban development in areas like Te Tumu to occur earlier than currently envisaged, the growth that occurred in these other areas would draw growth away from areas where infrastructure already exists. The affect of this would be lower SIF revenue in the areas where growth is drawn away from. As a result of this, the interest costs on SIF funded debt in these areas would increase substantially which would require:

   - SIFs in these areas to increase; or
   - Rate funding of the SIF shortfall that would emerge; or

- The additional interest costs to be funded by development in the new areas that were opened up for development (this probably would have legal compliance issues unless offered by developers in the 'new' area as a means to offset adverse effects).

In the 2007 staff report titled *Response to Proposal to proceed with Te Tumu at 2011* it was estimated that just to mitigate the additional interest costs that would be created in other areas of the city by allowing Te Tumu to proceed with development earlier than anticipated, that the SIF for each lot in Te Tumu would have to increase by $20,900. This demonstrates that these additional interest costs are significant.

An alternate to Council providing infrastructure would be for developers to fund and build it themselves. There may be some scope for this to occur on a relatively small scale but due to the significant dollar amounts involved, the high level of risk and the long payback periods there are few, if any, developers who are in a financial position to contemplate this, let alone to be able to source finance to actually do it on a significant scale.

It should be noted that this was attempted by Grasshopper at *The Lakes* on a moderate scale. This development is now in receivership. The forward funding of bulk infrastructure significantly contributed to the financial problems that resulted in receivership.

Even if developers were able to provide their own infrastructure (rather than it being SIF funded) this would only resolve the first two financial issues identified above (the capital cost and the debt implications). The infrastructure would still be vested to Council which would generate on-going operating costs and the development in new areas would still draw growth away from Council's existing growth areas which would generate additional interest costs in these areas due to lower than anticipated SIF revenue.

<u>Conclusion</u>

The considered view of staff is that the financial implications associated with providing infrastructure to service new growth areas is the single biggest constraint in opening up more land for development in and around Tauranga City.

As such, staff are of the view that a balance will always need to be struck between the amount of land that is available for development, and the costs associated with providing appropriate infrastructure to service development.

Staff also note that in terms of development costs, the more liberal the urban limits are, the lower land input prices are likely to be. But on the other hand, the more liberal the urban limits are, the higher development contributions are likely to be (because interest costs on growth fund debt will be much higher). On this basis, the overall cost of delivering new subdivisions may, or may not, reduce if urban limits were liberalised.

Ignoring the SmartGrowth and Regional Policy Statement issues for now, if there was a mind to liberalise urban limits, staff would suggest that areas that could be serviced with minimal additional Council infrastructure investment should be targeted. It is however likely that there are few, if any, areas where infrastructure investment would be minimal, and that if they do exist they are likely to be small in size.

10. THE LONG-TERM APPROACH TO URBAN LIMITS

The long-term approach to urban limits in the Western Bay of Plenty will be reconsidered through the SmartGrowth review. There may be an opportunity to take a less rigid approach to urban limits by expanding the current urban limits or by relaxing the criteria for allowing urban development to take place outside the urban limits.

Alternately, the Settlement Pattern within SmartGrowth could be altered to bring forward development in certain areas or to alter the urban limits to include new areas.

Consideration may also need to be given to allowing minor alterations the urban limits to occur through a more streamlined process with appropriate criteria.

A different approach could also be taken to the longer-term urban limits (i.e. post 2021) by making them more indicative rather than specific. This could involve identifying just the corridors in which growth is allocated long-term rather than the specific land boundaries. This might reduce the amount of long-term land banking that takes place by developers.

In the end, to make informed, fundamental strategic infrastructure investment decisions (given the operational life of most bulk infrastructure is 50+ years), Council and other infrastructure providers need to have good information about the general future pattern and scale of urban development in the sub-region.

Attachment: Extract from Operative RPS

17A Growth Management in the Western Bay of Plenty

17A.1 Applicability of Growth Management Objectives, Policies and Methods

SmartGrowth, the 50 Year Growth Strategy for the western Bay of Plenty, was adopted by the Councils of Tauranga City, Western Bay of Plenty District and Environment Bay of Plenty in May 2004. SmartGrowth details a strategy for the management of growth in the western Bay of Plenty and forms the basis of this section of the Bay of Plenty Regional Policy Statement.

Because of the geographic extent of SmartGrowth, this section of the Regional Policy Statement applies only to Western Bay of Plenty District and Tauranga City Councils' administrative areas (together comprising the western sub-region of the Bay of Plenty Region).

17A.2 Growth Management

The issues are:

a. Both urban and rural subdivision in the western Bay of Plenty have eroded natural features and landscapes, impacted upon the quality of some harbour waters and, in some instances, compromised Versatile Soils and rural land productivity.

b. Forecast urban and rural growth has the potential to threaten important ecological, social, economic and cultural values.

c. Growth which occurs in a discontinuous or disjointed way is likely to be more energy intensive and less sustainable than growth which occurs in an integrated, contiguous and sequential manner.

d. Uncertainty created by ad hoc, unplanned development makes the provision of services and infrastructure difficult and potentially costly.

e. Unplanned subdivision, use and development can result in reverse sensitivity effects in respect of established industries and existing or programmed infrastructure, as well as the efficient maintenance and upgrade of such infrastructure necessary to support sustainable growth.

f. A lack of understanding of the relationship between land use and transport infrastructure provision may result in unsustainable investment in infrastructure.

g. A lack of cohesion between land use, planned infrastructure and equitable sources of funding can put pressure on communities and lead to funding or service shortfalls in unexpected areas.

h. A pattern of urban growth which does not reflect the aspirations, needs and concerns of the existing and future communities affected by such a pattern, is likely to be problematic.

i. More intensive urban development has the potential to:

- Adversely impact on the character and amenity values of existing urban areas;
- Create unforeseen and adverse socio-economic effects.

j. More intensive urban development has the potential to increase the use of multi-modal transport options, such as public transport, walking and cycling.

k. An imbalance of land supply, demand and uptake can have adverse economic and social impacts.

l. It is difficult to predict and plan for land demand and uptake.

m. Development of multiple-owned Maori land can be difficult due to the provisions of Te Ture Whenua Maori Land Act 1993.

n. Inefficient patterns of land use are costly to service and can be extremely costly to maintain.

o. Communities which develop in ways that do not recognise the principles of high quality urban design are likely to be less cohesive and to experience reduced amenity values.

17A.3 Objectives and Policies

17A.3.1 Growth Sequencing and Integration

17A.3.1(a) **Objective**

Subdivision, use and development are sequenced in a way that integrates with the long-term planning and funding mechanisms of local authorities, central government agencies, and network utility providers and operators.

17A.3.1(b) **Policies**

17A.3.1(b)(i) Except as provided for in 17A.3.1(b)(ii) and 17A.3.2(b)(iii), Urban Activities shall not be developed, or be permitted to be developed, outside the Urban Limits shown on maps 13–22.

17A.3.1(b)(ii) Outside the Urban Limits shown on maps 13–22, Papakainga including marae based housing shall be provided for as long as development is in accordance with a Structure Plan approved by the relevant territorial authority.

17A.3.1(b)(iii) In providing for Business Land, territorial authorities shall have particular regard to Principle 2, The Live-Work-Play policy approach to future development.

17A.3.1(b)(iv) Territorial authorities will provide for new Large-scale Business Land generally in accord with Figure 1 and only within the Urban Limits shown on maps 13-22.

17A.3.1(b)(v) There must be coordination between:

(a) the structure, timing and sequencing of new urban development, and
(b) the development, funding, implementation and operation of transport and other infrastructure serving the area in question.

In satisfying this policy, regard must be had to the indicative Growth Area timing shown in Figure 1.

17A.3.1(b)(vi) Territorial authorities shall generally accommodate population growth within the western Bay of Plenty sub-region out to 2051 as follows:

(a) By providing for 75% of projected growth within new Greenfield Development Growth Areas (eg, Papamoa East, Omokoroa, North-west Bethlehem, Pyes Pa West, Te Puke, Katikati and Waihi Beach); and

(b) By providing for 25% of projected growth through intensification of residential development within existing urban areas through such techniques as infill development, mixed use zones and specifically identified Intensification Areas; at densities which achieve the net yield requirements set out in policy 17A.3.1(b)(vii).

17A.3.1(b)(vii) In each Growth Area, district plans shall provide for a target Net Yield of Dwellings per hectare as follows:

(a) An average Net Yield of 15 Dwellings per hectare of Greenfield Development area.
(b) An average Net Yield of at least 20 Dwellings per hectare within any identified Intensification Area.

17A.3.1(b)(viii) Local authorities shall demonstrate adherence to the New Zealand Urban Design Protocol (March 2005) Key Urban Design Qualities. In achieving this, territorial authorities shall include appropriate policies, methods and other techniques in their district plans and strategies.

17A.3.1(b)(ix) Urban Growth Area development shall proceed in a way that provides for:

(a) The efficient utilisation of Infrastructure within the immediate preceding Growth Area before the development of the subsequent Growth Area shown in Figure 1 and Diagram 1; and

(b) Network Infrastructure is able to be provided to serve the proposed new Growth Area or new infill/Intensification Areas shown in Figure 1 and Diagram 1.

Urban Growth Area development may proceed in a manner other than sequential growth as per (a) where it can be demonstrated that concurrent development of a subsequent growth area will provide more efficient utilisation of Infrastructure overall and the conditions in (b) are met.

For the purpose of this policy, efficient utilisation of Infrastructure shall include consideration of the matters referred to in Policy 17A.3.1(b)(xiii).

Figure 1 and Diagram 1 are an indicative guide for the expected timing and sequencing of Growth Areas.

17A.3.1(b)(x) Greenfield Development within the Urban Limits shall proceed in a way that does not compromise the Net Yield requirements or targets of policy 17A.3.1(b)(vii). In particular, territorial authorities shall ensure through effective Structure Planning and monitoring under section 35 of the Resource Management Act 1991, that land within the Urban Limits is not fragmented in a way that jeopardises the future urbanisation of the area.

17A.3.1(b)(xi) Amendments to the Urban Limits shown on maps 13 - 22 will only be considered where they:

(a) Promote and do not compromise an integrated and sustainable use of infrastructure and services and community facilities such as schools, libraries and public open space, and

(b) Do not compromise the implementation of policy 17A.3.1(b)(vi), and

(c) Are consistent with the purpose and principles of the Resource Management Act 1991, and

(d) Do not adversely affect marae or Papakainga areas nearby, and

(e) Do not compromise the development strategy described in policy 17A.3.1(b)(v), or

(f) Meet the review conditions of policy 17A.3.1(b)(xiv) for the subject area; or

(g) Are triggered by a situation where there is insufficient development capacity in other parts of the sub-region; or

(h) Are prompted by a situation where the development strategy prescribed in policy 17A.3.1(b)(v) has failed in its intended purpose.

(i) Reflect territorial authority decisions on plan changes or Structure Plans that require minor amendments to the Urban Limits line.

17A.3.1(b)(xii) Structure Plans shall be prepared for all Large-scale land use changes.

17A.3.1(b)(xiii) Territorial authorities shall Rezone or otherwise permit the development of land subject to consideration of:

(a) sustainable rates of land uptake; and

(b) sustainable locations; and

(c) community investment in existing Infrastructure; and

(d) the reasonably foreseeable requirements of present and future generations; and

(e) sustainable provision and funding of existing and future Infrastructure; and

(f) efficient use of local authority and central government financial resources including prudent local authority debt management.

17A.3.1(b)(xiv) Environment Bay of Plenty shall regularly monitor growth patterns within the western Bay of Plenty sub-region and shall undertake a review of Chapter 17A relating to growth management in the event that such monitoring shows that actual sub-regional growth patterns are or are likely to be such as to render the strategy set out in Chapter 17A inappropriate. Other triggers for such review shall include the occurrence of any of the following situations:

(a) The population predictions in Figure 9 of the SmartGrowth Strategy (3 May 2004) vary by more than 10% from actual census figures for all of the growth for the relevant census period;

(b) It can be demonstrated that insufficient land exists within all of the Urban Limits shown on maps 13 – 22 to cater for growth anticipated to occur within 10 years of the analysis;

(c) It can be demonstrated that exceptional circumstances have arisen in one or more of the Management Areas (shown on Map 23) and a review is necessary to achieve the objectives of this chapter of the Regional Policy Statement.

(d) Any review of the SmartGrowth Strategy amends the strategy to the extent that the objectives, policies and methods in this chapter are in conflict.

(e) As a result of method 17A.4(iv) an amendment is required. 17A.3.1(b)(xv) Territorial authorities shall ensure that the design and location of subdivision, use, and development is managed to address potential adverse effects on the operation and planned upgrading of infrastructure.

17A.3.1(b)(xvi) Territorial authorities shall ensure that rezoning of land or Large-scale land use change proceeds only after taking into account the objectives and policies of the Regional Policy Statement.

Diagram 1: Indicative Growth Area sequencing

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Figure 1: Indicative Growth Area timing and Business Land Provision

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17A.3.2 Rural Development

17A.3.2(a) **Objective**

The potential of Versatile Soils and Rural Production Activities in the rural environment is sustained for future generations.

17A.3.2(b) **Policies**

17A.3.2(b)(i) Subdivision, use and development shall not result in Versatile Soils outside Urban Limits being used for Non-productive Purposes, except as provided for in policy 17A.3.1(b)(ii).

17A.3.2(b)(ii) In achieving objective 17A.3.2(a), territorial authorities may provide for the expansion of existing Business Land zones.

17A.3.2(b)(iii) In achieving objective 17A.3.2(a), territorial authorities may provide for the expansion of existing business activities or existing zoned Business Land outside the Urban Limits only if the proposal will:

(a) Not result in cumulative effects; and

(b) Not result in a loss of productive land capacity; and

(c) Functionally, only be able to be located outside the Urban Limits; and

(d) Not require to be connected to urban water supply distribution, stormwater or wastewater infrastructure; and

(e) Have potential for significant environmental enhancement; and

(f) Avoid reverse sensitivity effects on Rural Production Activities.

17A.3.2(b)(iv) Local authorities shall promote the sustainable management of Versatile Soils for Rural Production Activities.

17A.3.2(b)(v) In providing for Rural Lifestyle Activities outside the Urban Limits local authorities shall ensure that the potential of Versatile Soils is not compromised.

17A.3.2(b)(vi) Territorial authorities shall ensure that subdivision, use and development does not compromise or result in reverse sensitivity effects on Rural Production Activities and the operation of infrastructure located beyond the Urban Limits.

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