

10 February 2012

Dear New Zealand Productivity Commission,

I am concerned about the affordability of housing in New Zealand so I have written a submission here on your draft report on housing affordability. I agree with the point in your draft report indicating the need for urgent release of more land for development. The draft Auckland Plan would make land even more scarce for building houses on thus making land prices even more unaffordable. It is my intention in this submission to specifically convey three points on matters pertaining to housing affordability which I would like The Commission to further investigate before the report is finalised. I will concentrate in this submission on the Auckland housing market since it is the largest market in New Zealand although matters I mention here will be relevant to many main centres around New Zealand.

Here are the three points I would like further investigated, I discuss them each further in my submission-

- 1) To find out why there is not a plan for a major new commercial centre in Auckland.
- 2) The need for there to be a requirement for council to quantify the productivity from land in areas that they will not allow urban development on thus assisting with the decision of whether the land would actually be better utilised/productive if opened up for housing
- 3) To investigate the conflict of interest that occurs when those involved in the decision to release more land have a significant financial interest in the outcome.

I concur with your draft report that notes that there is a significant shortage of land for people to build houses on in Auckland. There is also a lack of planning for a major commercial development in Auckland. The majority of planned land for commercial activities is piecemeal and brown-fields. Such large business parks as Hacienda Business Park, California (i.e. much bigger than Highbrook Business Park Auckland) redirect transport away from a main centre (such as around Auckland City), create demand for new housing around these large commercial centres thus reducing the problem of income per household dropping the further away from just a single big commercial centre & they also allow for new affordable housing to be planned. I would appreciate The Commission finding out why this possible solution to many problems in Auckland is not planned for. I am especially interested as to whether significant prerequisites on planning requirements were imposed early constraining such options, so adequate alternative plans for discussion could not be constructed.

A reason often provided as to why Auckland can't expand outwards is that it will eat into productive farming areas, this is ridiculous. I am familiar with the land to the north and the east of Auckland (i.e. between Albany and northern Orewa and to the east of Howick) and what I witness is vast tracks of land with unproductive grazing methods such as equine, Friesian steers and pukekos. There is also a preponderance of lifestyle blocks adding to the lack of productive agricultural practice in this region.

The exuberant economic cost to the country of highly priced houses in Auckland with the subsequent foreign outflow of capital as large mortgage payments is immensely superior in weighting than the, at best, average returns from farming in this area. Having smaller mortgages due to lower house prices would mean households would have more funds free to be put into investments in other capital instruments and also on consumption resulting in more economic stimulation. Lower mortgages from lower prices would thus reduce New Zealand's reliance on foreign financial markets and enable more productive use of savings/capital. Survey of the soil content of the region to the direct north or the east of the current Auckland metropolitan urban limit does not show that the land in those regions is of some especially high quality for agricultural production.

Therefore I would like The Commission to investigate the possibility of a requirement for councils to quantify the production on land past the borders that they forbid urban development on. The results would provide the proof of production/productivity of that land, stopping unfounded statements being provided on production from that area. Thus allowing discussion as to whether another form of land use would allow for better use of capital. The possible problem of people buying land and then letting it go fallow to precipitate rezoning could be counteracted by agricultural analysis of the land to determine its expected general productivity level so the areas possible productivity could be compared reasonably to other capital options.

Another point of concern is that the people who make the decision about whether new land can be released for housing development will, due to supply side factors, have some control over the level of prices in the real estate market. In the current political environment, people who make this decision are landowners themselves and stand to lose financially if more land is released for housing. This is on a national and local government level. Therefore those who are involved in the decision on whether more land should be released should not have a direct financial interest in the decision, failure to achieve that leads to a situation of bias. I note both The Mayor of Auckland and the Prime Minister are owners of land within Auckland and would lose financially if more land is opened up for housing. Both these people would significantly benefit from the current draft Auckland Plan that promotes intensification of the current metropolitan area. The majority of

Auckland Councillors own land in the city.

I therefore also request that the Productivity Commission before finishing the report investigates this major financial conflict of interest that arises when those who make the decision on releasing more land actually have a major financial interest in the outcome. Obtaining an independent process free of financial bias on a decision, which has an outcome with such a profound effect on people, would give it greater ethical acceptance.

A possible solution to this problem could be a rule requiring councils to provide each year a quantity of new sections that would move the price of the mean selling price in their district towards a certain multiple of mean income. I.E A certain quantity above or below population growth. Having such a clear intention signalled now would have an immediate effect on the current housing market as buyers/sellers would be aware of the future supply side fundamentals.

I note that a UN survey of New Zealanders of my generation found our biggest fear was having to live in an apartment (1).

I would gladly answer any more questions surrounding my opinion on housing affordability in New Zealand.

Yours faithfully

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(1) <http://www.stuff.co.nz/national/4934946/Young-Kiwis-fear-apartment-living>