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New Zealand Productivity Commission
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Housing Affordability - Submission on Draft Report

Introduction

My company and associated companies build lifestyle villages which are housing communities for older New Zealanders. A typical development involves the purchase of the land for which a unit plan is developed, infrastructure built and then around 70 single level 2-bedroom homes constructed as duplexes. Projects are staged and units are built according to demand. Units are sold with a unit title tenure. A village is usually completed over 3-4 years and buyers generally move from an average value home in the same area. This frees up a home suitable for a first or second home buyer.

Because we buy the land and complete the home building, we are able to identify every cost along the way. In particular and because we are repeating the same designs, we are able to measure cost increases over the build –time for the village together with the various territorial authority charges which are identified in the report. Our current project is in the Tasman District Council area where the charges are considerably higher than those of other territorial authorities.

There can be absolutely no argument that government and territorial charges have a major impact on housing affordability as has been identified in the draft report. I propose to comment on a small number of matters that have not been identified in the report.

Development Contributions

Some territorial authorities levy development contributions on a catchment basis. Horowhenua District Council is an example where there are different levies for Foxton, Foxton Beach, Shannon, Levin and Otaki plus for the rural areas. Tasman District Council on the other hand calculates the levies over the whole district which encompasses a wide geographic area with towns including Richmond, Murchison, Motueka, Takaka and Collingwood. The methodology for calculating the levies which are broken down into roading, water, wastewater and stormwater is very complicated and confuses even its authors.

The calculations could be considerably more transparent if presented on a catchment basis. If for instance, a town needs a new wastewater treatment facility, the cost should be shared by existing residents and a development imposed on each identifiable lot which was likely to be built on within a 10-year timeframe. Any share of that cost should not be levied on the residents or potential homebuilders of a town which might be 50 kilometres away and have its own adequate system.

Recommendation: That Development Levies be calculated on a catchment basis and be made entirely transparent.

Reserve Contributions

In the Tasman District, reserve contributions (termed Financial Contributions) are levied on the basis that the contribution shall be 5.5% of the total market value (at the time subdivision consent is granted) of the total size of an allotment.

This means that a valuer assesses the market value of an allotment as if it were available for sale with all development requirements met such as the provision of services and including the payment of both Development Contributions and Reserve Contributions. This leads to a "tax upon a tax" situation.

Recommendation: That a more equitable method be used. Perhaps the calculation could be based upon the market value of the allotment after deductions for any development or reserve contributions.

Connection Charges

Almost all territorial authorities levy connection fees for connection to council infrastructure such as water and wastewater. In most instances, the fees are justified as the cost of processing applications including updating of council records and might be in the order of \$100-\$200. However, some levy substantial charges which are designed to further bolster council coffers in addition the development contributions. Tasman District Council charges more than \$1450 for both water and wastewater connection fees. There is no transparency evident in the calculation of these fees.

Recommendation: That connection fees and charges be limited to the cost of processing applications.

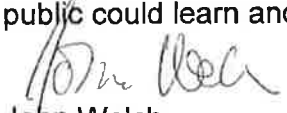
Processing of Applications and Disputes

Many territorial authorities provide poor service in the processing of applications and in dealing with disputes. Delays and uncertainties add to the cost of development and inevitably impact on costs thereby affecting housing affordability.

Recommendation: Where a development is of a significant size (say 10+ lots or dwellings), territorial authorities delegate a single point of contact for developers and their consultants to liaise through.

Conclusion

The Productivity Commission has done an excellent job in identifying the issues which affect housing affordability. Perhaps the best way to reduce costs is for there to be a standardised set of policies applicable to all territorial authorities. Fees and charges might vary between areas but everyone – developers, consultants, builders, council staff and the public could learn and understand a consistent set of rules.


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