Study of past performance and future projections

Analysis of the property industry to meet the objections of the Auckland Plan where it relates to development of intensified dwellings

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Introduction to the submitter

1. My name is Brady Nixon, I am an Auckland property executive for a major New Zealand corporate where I am responsible for property development. My current role predominates me to development in Auckland and these developments include two town centres, one of which includes residential land development, a major mixed use development in Ponsonby and a number of individual projects in excess of $200m.

2. I am also a private property developer having previously developed subdivisions, apartment buildings and some limited commercial building.

3. I am a current executive of the New Zealand Property Council (Auckland branch).

4. My experience over 14 years in the industry includes Plan Changes, Direct Referrals of Plan Changes and Resource Consent Applications to the Environment Court, appeals to the Environment Court, Judicial Review proceedings, Summary Judgment's at the High Court, notified consents, appeals of development and financial contributions to the Environment Court, submissions on District Plans, variations of plans and the Auckland Plan, and remediation of contaminated sites requiring Regional discharge consents and clean fill consents.

5. My experience is relevant to the Productivity Commission's investigation into housing affordability. Having developed both intensive and low density housing I have first hand experience that informs my opinion. I have had the benefit of considerable time in the Courts to understand and know case law and more specifically what evidence is credible or not.

6. During 2011 I represented the NZ Property Council to Auckland Council on the Auckland Plan.

7. I have previously submitted to the Productivity Commission on Housing Affordability. This is my final submission.

Responses to the Housing Affordability report

8. In general I agree with the findings and conclusions of the Productivity Commission findings in the Housing Affordability report ('The report') of December 2011.

9. I commend the Productivity Commission for the thoroughness of the report and the detail of particular sections of the report.

10. I agree with the report findings that land supply is a significant issue and that the release of more land is part of the solution that will ease pressure on housing affordability by reducing cost. This is a fundamental of economics and a sound principle.

11. I agree that development and financial contributions are a matter that requires resolution. I make specific recommendations in my submission.

12. I agree with the conclusions of the report that construction costs are unduly high. However I disagree that economies of scale are the reason for this.

13. However there are specific matters relating to housing affordability that have been overlooked and or lack specific reference or detail with the report. Some of the matters addressed do not go far enough to provide sufficient evidence about the matter.

14. It is my intention in my final submission to expand upon those certain issues and it is my opinion that they warrant further investigation by the Productivity Commission.

15. They include (in no particular order):

    (a) Construction material costs;

    (b) Bank loan to equity ratios;

    (c) Land supply;

    (d) Development and Financial Contributions;

    (e) Construction costs comparisons between houses and apartments;

    (f) Identification of affordable housing, with a preference identified;

16. It is my recommendation that matters raised in my submission are further investigated by the Productivity Commission to confirm the validity of the claims herein.

Apartments are not affordable housing

17. I have personally developed apartment buildings. They are not an affordable housing typology due to the cost to develop, the cost to buy (end user), the cost to raise a mortgage for them (end user) and the cost to maintain (on the end user).

18. I have never sold an apartment to an owner occupier. In all my years of experience I can vouch that ALL buyers of apartments and intensive unit titled developments were investors. The only part of the apartment market that is typically owner occupier is in the very top end of the market where units are large.

19. Unit titled dwellings are subject to body corporate fees which are very expensive. The added cost imposition of body corporate fees on top of rates and mortgage costs diminishes the affordability of an apartment. Car parking can be expensive to rent, adding at least $50 per week per week. The combined cost of outgoings for an apartment is significantly higher than for a stand alone house.

20. The cost to develop an apartment building is significant. In my experience apartments typically have to carry a purchase price reflecting at least $7000 psqm net (exclusive of decks and ancillary areas) rising to $10,000 psqm and luxury apartments at $12-20,000 psqm.

21. That sqm rate is marginally cheaper without car parking, and even if car parking is eliminated from the equation is still at least $6-7000 psqm.

22. Compared to a house and land package at $1750-2000 psqm an apartment is substantially more expensive to develop and sell than a stand alone house.

23. How that looks at the coal face is harsh….

24. An apartment of 75sqm net plus deck and two car parks in Eden Terrace or Ponsonby Auckland (mixed use zoning) for example would need retail at $9000 psqm net minimum and reflect a sale price of around $675,000 to purchase.

25. Conversely a house of 220 sqm – near new – in Dannemora can be acquired for $580,000 and a new house by GJ Gardner Homes or Stonewood homes on a $250,000 section can be acquired for around the same money as that theoretical apartment ($675,000).

26. Whilst a house in Ponsonby is more expensive, the fact is the alternatives – a house in the suburbs versus a small apartment in town are very real choices people contend with and often make. The sacrifice of proximity to town is often made to obtain more of what people want.

27. As an example I have prepared a breakdown of development costs for a typical two bedroom 75 sqm (average specification) two bedroom apartment with two car parks.

28. If that is sold for $675,000 (at $9000 psqm) it would have costs of:

(a) Land	$45,000
(b) Local authority consents	$10,000
(c) Development and Financial Contributions	$30,000
(d) Sales commission at 3.95%	$26,660
(e) Consultants Costs (at a total of 12% c/costs)	$32,000
(f) Marketing costs	$10,000
(g) Construction costs ($3,500 psqm net*)	$262,500
(h) Legal and conveyancing	$3000
(i) Finance costs (not including mezz funding)	$40,000
(j) Gross margin (at 18.9%)	$127,796
(k) GST at 15%	$88,044
Total	**$675,000**

*Construction costs at $3500 psqm net are gross including car parking and common areas

29. A margin of 18.9% would reduce over time due to extensions of time and unforeseen delay or increased costs. Delays would increase interest costs over time.

30. A 75sqm apartment is not a big apartment.

31. Yet comparatively one can acquire a reasonable house by comparison. Perhaps north of 200 sqm as a new built home on at least 450sqm of land (Stonewood homes at Beachlands, Karaka lakes, etc).

32. As with houses the higher the specification of the apartment the higher the sqm rate to develop and ultimately sell. However the rate of increase is significant with apartments.

33. For instance in Parnell on the former White Heron site, developers Chong du Cheng and Kerry Knight sold apartments at prices reaching 18,000 psqm. They had no choice because it was simply a matter of arithmetic and cost.

34. My last apartment development in Eden Terrace was sold at $8000-8500 psqm.

35. As such I do not think affordable is ever going to be a term used to describe apartments.

Council justifications for intensification

36. I generally support the a more compact city. The outcomes are much better. However I take issue with empirical evidence that Council's like to tout that underpins the justification for intensification over stand alone houses.

37. I wish to make it clear that I am not advocating for either intensification or Greenfield development. Suffice to say that I simply take issue with the technical arguments supporting intensification - and typically – in opposition to stand alone dwellings.

38. It is misleading for any Council to infer that indirect costs such as are relevant. These are rarely factored into the equation by purchasers, and when they are the values attributed are often arbitrary and subjective. When considering the cost of housing, it is fundamentally the cost of acquisition and direct ongoing costs which are most important to the market.

39. I concur with most Council's that the cost of maintaining cities is expensive. However it is most likely that part of the reason for this is an ever increasing scope of expenditure that spreads Council income over wider matters.

40. Are entertainment events more important than ensuring the infrastructure of our cities are adequately serviced? Priority directing income expenditure to core assets and infrastructure would go a long way to reducing the pressure of growth costs incurred by Councils.

41. Travel costs are conveniently touted as an indirect cost of home ownership. Council's assume that by implementation of more intensification the cost of travel will be reduced, perhaps by more use of public transport.

42. However in Auckland for example (and as contemplated by the Draft Auckland Plan) by 2040 the public transport network of Auckland will still not connect 80% of people with 80% of the work place destinations meaning the people of that city will still predominantly use cars to travel. Auckland Council has assumed that the planned expenditure will reduce dependence on cars yet the evidence prepared by NZTA on the Auckland Plan demonstrates clearly that this is not the case, highlighting the erroneous nature of the justification for intensification.

43. I urge that the Productivity Commission consider in more depth the costs associated and delineate between those costs that are direct and those that are indirect. It is important to dig deeper and determine which costs are relevant.

44. **Bank Mortgages**

45. The Productivity Commission's report on Housing Affordability should consider in more detail the cost of borrowing on housing, in particular analysis of the way in which banks fund house mortgages as loan to equity ratios.

46. Most trading banks will offer mortgages upto 95% of the value of a home. That requires the borrower to fund 5% of the house prices as a deposit.

47. However where it comes to Unit Titled developments such as intensive dwellings like apartments and some terrace house developments, the banks have much stricter lending criteria in the form of loan to equity ratios.

48. A typical mortgage on an apartment requires at least 30% equity, but at times upto 50% equity from the borrower is required with banks funding the balance by mortgage.

49. What that means is that the entry cost to acquire a unit titled dwelling such as an apartment is considerably more expensive than that of a stand alone house.

50. The reason for this is risk. Banks and their insurers assess risk and loans are limited where risk is high.

51. Thus, a bank typically restricts loan values expecting borrowers to put in more equity – a loan to equity ratio.

52. So that banks can offer larger mortgages they are able to take insurance out through reinsurers or underwriters such as AIG for instance. The ability to do this increases the amount a bank can loan against the value of the asset (property).

53. Insurance companies are in essence placing bets, where the odds of payout are considered. If the risks are high then either the premiums are high to reflect the risk, or they refuse to provide cover.

54. Banks therefore love property where land is involved. That means banks lean heavily towards fee simply property such as stand alone houses because land is a part of the purchase and land typically appreciates over time. Buildings on the other hand depreciate and deteriorate.

55. The risk for banks on unit titled property such as apartments is very high because apartments have very little exposure to the land component (a pro-rata apportionment). The building is a significant component of the purchase price.

56. The New Zealand apartment market is always volatile. Values typically fluctuate wildly and the risks are significant. We see clear evidence of this in Auckland where post boom central city apartments tanked to at least

half their value. What bank will loan 95% into a market that is so volatile and with little upside?

57. Thus banks have no real desire to offer mortgages on apartments (and unit titled properties) at loan to equity ratios equivalent to that with which they offer on stand alone houses.

58. So what does this mean?

59. As an example an average house in Auckland at $550,000 could theoretically be funded by a mortgage of 95% at $522,500 leaving the borrower with a requirement to raise a deposit of $27,500.

60. An apartment of say $300,000 would require a deposit of between 30% and 50% at $90,000 to $150,000 and an apartment of $550,000 would require a deposit of $165,000 to $275,000.

61. That is a dramatic difference in equity compared to a stand alone house.

62. Given that an apartment new will cost at least $7000 psqm net of GFA or higher then it is most likely the true cost of an average apartment in the future might be closer to that of an average house.

63. My point is that apartments are not affordable. They are not affordable for many reasons but they are not affordable on the basis of mortgage lending criteria seen as loan to equity ratios.

64. It is completely ridiculous to assume the average New Zealander is going to raise a 30-50% deposit to buy an apartment.

65. Cities that are planning to create more unit titled dwellings are in serious risk of making New Zealand unaffordable because nobody can afford the deposit required to buy an apartment and raise a mortgage.

66. Whilst the current situation with bank funding restricts the market for apartments, it is justifiable to argue that reduction in the loan to equity requirements (for mortgages on apartments) would mean more owner occupiers would enter the apartment market, and some level of stability may be experienced.

67. I advocate for intervention to resolve the issue. It may be that one way the Government can do this is to become an underwriter of mortgages on unit titled property by the setting up of a state owned underwriter (insurance) company. Whilst the idea is a little extreme it would work to help more people into apartments and unit titled property.

68. I recommend that the Productivity Commission expand it's report to detail this issue in more depth, with recommendations to be made to the Government that will deal with the issue.

Alternative solutions

69. There are alternative solutions to apartments. Density does not need - in any city of New Zealand - to be at levels above 60 dwellings per hectare.

70. Typically the vernacular of New Zealand is custom bespoke houses. That is partly the result of a cottage industry consisting of sole traders building one or two spec homes or design build homes per annum. City planners should tailor the compact model to work with that, through the implementation of housing typologies that sole traders can still build, yet are fundamentally more compact by hectare.

71. Rather than force a shift from fee simple dwellings to unit titled apartments it would be more beneficial for Council's to reshape the way that fee simple homes are built

72. Planners seem to be inept at understanding the industry and the market and particularly inept at identifying new housing typologies that can work towards compact city aspirations.

73. It is my suggestion that a lack of imagination is blocking the way to solutions that can help achieve all things – compact built form, affordability and still be a development form that our cottage industry can deliver.

74. It is my suggestion that the solution lays in two typologies of housing:

(1) Fee Simple Terrace Housing;

(2) Fee Simple stand alone Housing on smaller sites (Greenfield);

75. It isn't what we are doing that is wrong, but how we are doing it.

(1) Fee Simple Terrace Housing

76. Fee Simple terrace housing is an excellent way to take advantage of much more compact living, as we see in places like New York. Large houses can be built on small sites, reducing footprint, increasing density and reducing exposure to land costs.

77. Fee Simple terrace houses can still be funded to the same extent as a house (upto 95%) meaning it avoids the issues that blight unit titled apartments.

78. Fee Simple terrace houses can still offer reasonable back yards.

79. Fee Simple terrace houses are the best brown fields redevelopment solution for any city.

(2) Fee Simple stand alone housing

80. Fee Simple stand alone houses need to be reconsidered so that they more adequately can be developed on smaller sites allowing for a common character, sufficient rear yards and efficient floor plates.

81. There is a current trend towards smaller sites to reduce land costs and increase yields, however we continue in New Zealand to build traditional houses on these small sites and it doesn't work. Council's deplore the outcome for good reason.

82. A change in the way we develop smaller more compact Greenfield sites would resolve the issue by focusing on built form, character of neighbourhoods and quality.

83. Ponsonby in Auckland is touted as the most densely populated suburb and yet it is almost exclusively stand alone houses. It proves that when done right, the outcome is excellent and popular. The suburb however works because the character of that suburb is clear and identifiable and the built form relates well to the site and it's neighbours.

84. Nearby St Mary's bay also proves that small sites offer great outcomes. The character of the built form is diverse but they work well and the sites are often no bigger than 350 sqm.

85. So its not what we are doing but how we are doing it.

86. It is my suggestion that both of these opportunities are achievable and would work a long way towards reduction of housing costs. By implementation of smaller footprint sites exposure to reduced land costs will be prevalent impacting upon affordability. Yet both are able to be banked to 95%.

87. Identification of housing typology that would more adequately deal with the issue of affordability whilst in part providing a more amenable and acceptable solution that may go some way towards resolving the conflict between compact city advocates and Greenfield sprawl advocates would be a useful addition to the Housing Affordability Commission's report.

Construction materials costs

88. There are some issues within the market to consider where construction costs are concerned.

89. I urge the Productivity Commission to consider in more depth investigation into the costs of materials in New Zealand.

90. The Commission notes in it's draft report that economies of scale are to play in New Zealand and have an effect on our construction material costs.

91. I fundamentally disagree with that proposition.

92. New Zealand is a country where many of the industries that exist are doing so on internationally benchmarked margins and are at times cheaper than the overseas markets. For instance the FMCG industry consistently runs of very fine margins that are reflective of lower EBIT in an attempt to be competitive and produce product cheaper than in Australia.

93. Statements that New Zealand is simply a small market and therefore economies of scale determine costs is false because if it were true it should apply to all industry sectors in New Zealand. What I am suggesting is that it is not the small size of the New Zealand market that is the issue, but the particular industry sector.

94. Because other sectors are proving to be competitive against international benchmarks, or better, suggests that the industry supplying materials in New Zealand is most likely operating on much higher EBIT.

95. The supplier of product in New Zealand operates with some of the largest EBIT margins in the Western world. The Annual Reports and internet based commentary elude to this fact.

96. It is my suggestion that the Productivity Commission would do well to investigate materials costs further. It is my assertion that we can do better and that the only reason we don't, is because there is no pressure to do so.

97. However I note that with material cost reduction, the overall cost effect on housing costs will be marginal. The predominant cost reduction on housing can be achieved by reduction of land prices.

GST

98. The imposition of GST is a massive cost. Whilst it is ludicrous to suggest scrapping it, where GST applies to a family home would be worth considering the opportunity to claim it back as it is also available for commercial property owners and developers. A 15% reduction in the cost of a home is a large change.

Land Supply

99. The housing affordability report concludes that the predominant solution to making housing affordable would be to release more land for development. I agree entirely with this summation…… with some explicit caveats.

100. Land supply is a significant cost to all housing. It is the one single item that can be easily indentified and potentially changed without complex interference or legislative change by Government.

101. The basic fundamentals of economics would suggest that supply effects the price of the product for sale.

102. It is also my assertion and addition that land supply issues are not limited to the release of land on the edges of our cities and towns, but also to land within the cities and towns where existing District plan zoning is limiting growth and opportunities to develop. The result of a lack of land resources within the city and outside of the city has a compounding effect upon housing affordability by restricting opportunity to redevelop inside cities.

103. I agree with the Productivity Commission findings but would add that it would be beneficial that land supply be considered within MUL's as well as in Greenfield locations. That would most likely result in a recommendation that Councils undertake more re-zoning to encourage redevelopment and to unlock restricted land for development.

104. Release of land supply is not just a matter of Greenfield land, but also release and an oversupply of land within cities by way of improved zoning provisions that encourages development.

Council’s have become lost

105. It is my assertion that Council’s in New Zealand have become indoctrinated by a set of assumptions relating to city planning where the overwhelming preference is towards compact cities.

106. Whilst I happen to like compact built form - and the way that they can make cities a more vibrant and interesting place – it is without doubt that restricting the release of land as a mechanism to force intensification is a fatally flawed concept.

107. In all the studies and data that have read it is apparent that where cities around the world have restricted outward growth, it has had a direct impact upon the value of houses.

108. Council’s should not be planning cities if the impact of those plans is making the cities unaffordable to live in.

109. In part I see the issue for Council’s one of quality. There is no question that in New Zealand the quality of our housing stock is poor and we need to improve it. However that is not to say the answer is intensification. It is my assertion that a city should focus on quality and the type of built form, not density.

110. In Auckland the focus on density and restriction of land release has resulted in dramatic rises in the value of the average home, in distinctly polarized manner compared to incomes. Thus houses are now much more unaffordable in Auckland.

111. This has occurred due to the interference of the former ARC who restricted growth through the imposition of the MUL. The mechanism whilst crude and blunt was erroneous and failed to change the way the city was developed. It did not result in any dramatic rise in the number of intensified dwellings built compared with stand alone houses.

112. Since 1992 there has been no incremental increase in the number of intensified dwellings built compared to stand alone dwellings. At the end of the 19 year period to 2011 the percentage of stand alone dwellings was still approximately 25% representing no improvement. That in itself signals a fundamental and systemic failure of town planning regulation to achieve intensification targets. So why bother?

113. The fact that the quantum intensified dwellings have not increased as a pro- rata percentage of all built dwellings in Auckland clearly demonstrates the abject failure of planning regulation through implementation of MUL’s, intensification targets and policy designed to implement intensification.

114. Whilst I am a supporter of the outcomes of intensification (in the right places and where it is done well), it is absolutely abhorrent that intensification should be forced down the neck of any New Zealander by

any Council. Who gave Council officers and politicians the right to decide how and where we live? How many of them live what they preach?

115. Planning by way of intensification targets and restrictive growth policies is draconian, dictatorial, perverse and undermines the wellbeing of New Zealanders.

116. As with all things democratic, we should have within our country the freedom to decide how and where we will live.

117. It is my assertion that Councils should be cautioned about planning compact cites if there is no evidence as to the successful implementation of them. Particularly where those Council's have for decades tried and failed in any case. The definition of the insanity is to try the same thing over and over again and expect a different result.

118. I cannot find a city in the world where that has been successful. So it begs the question as to why Councils are insistent upon a continuation of policy implementation that restricts and forces intensification?

119. Councils should have to give priority towards compact, but only where it is achievable. Perhaps it is best that Council's are directed through the Act to more appropriate priorities.

120. I recommend that the Productivity Report consider this issue.

Development and Financial Contributions

121. I agree wholeheartedly with the Productivity Commission that a best practices document be set within Schedule 13 to guide Council's on how to set Development and Financial Contributions.

122. However I believe that this does not go far enough.

123. It is my recommendation that further changes are required within legislative framework to ensure that a fair and equitable method for charges is applied by Councils onto growth (new property development).

124. The process of application of contributions through annual plans is not transparent. There is no procedural manner in which contributions applied can be adequately tested to ascertain if they are fair and just.

125. In my opinion there is an obvious and deliberate attempt by local authorities to pervert the process by withholding accounting detail that may validate the calculations and prove credible methodology.

126. I suggest that a blatant miscarriage of process is occurring. In part there is no punitive response, no accountability upon Council. Who is going to correct them when they get it wrong?

127. My issue isn't with paying contributions, rather that the imposition of unfair and unjust contributions upon property development is unlawful and thus provision within legislation to allow such contemptuous charges to be challenged should be a right for all.

128. I specifically urge the Productivity Commission to recommend a return of the right to appeal development and financial contributions to the Environment Court.

129. The Environment Court is the right Court to consider and test the merit of such claims because it is a matter within their jurisdiction. Not withstanding that they have considerable experience in such matters.

130. The Minister for the Environment – the Honorable Nick Smith as much as offered that this may be possible in the Phase II RMA Amendments and I urge the Productivity Commission to recommend those changes.

131. With no government agency police local authorities, nor any imminent desire to incur significant costs to do so, it is logical and rational to recommend that the matter be subject to appeal.

132. Profoundly there is no Council in New Zealand who lost an appeal in the Environment Court for unjust reasons. The change in legislation to allow Councils to apply contributions under the LGA, without rights of appeal to the Environment Court is an unfortunate and significant oversight that should be repealed as soon as possible.

133. And best of all the appellant or local government pays, with no requirement for the Government to interfere or wield a big stick though local government policing.

Best practice guide for development and financial contributions

134. I concur with the findings of the Productivity Commission that the Councils be required to adhere to a regulated best practice document for developing financial and development contributions.

135. I request that the Productivity Commission's recommendation go further to specify what that document might include, and that it be developed by a person or entity from outside of local government to avoid prejudices.

136. A best practice guide should include requirements for:

(a) An annual schedule of assets. The schedule must be published;

The purpose of the schedule is to ensure transparency. It will indentify key matters that are relevant and important for calculating costs and subsequently pro-rata apportioning that to growth. The schedule should include:

(i) age of asset (date when built);

(ii) condition (determines requirement for replacement or upgrade);

(iii) Capacity (identifies existing capacity and/or if it is over subscribed and in need of an upgrade);

(iv)Income (identifies all income received for that asset to avoid double dipping);

(v) Number of connections (identifies if it is being loaded by growth and where);

(vi)Engineering class of asset (identifies it's capacity relative to the engineering standards. Some assets were built under old engineering standards thus replacement is not growth related, but specifically to ensure it is built to new standards);

(vii)Projected date of replacement (identifies when Council realistically expects to replace it);

(b) A requirement to account for all income received from an asset to avoid double dipping;

(c) A requirement to apply case law to calculations;

(d) A requirement to restrict catchments to the physical catchment area as defined by the physical infrastructure and expert assessment.

For instance the whole of Auckland is not a single catchment. Takapuna for example may be made up of a multitude of individual storm water catchments and subsequent catchments.

(e) Income generated in catchments must remain for expenditure in those catchments. A general kitty is unacceptable. Spend the money where it was generated.

(f) A requirement to place depreciation collected on assets – (the intent of this provision with the Act is expressly to allow depreciating and deteriorating assets to be written off, and the generated benefit to fund replacement or part of replacement) – and placed in a sinking fund towards the eventual replacement. Not to be generated as CAPEX income buy siphoned off to subsidise OPEX through an internal loan.

137. I have only listed issues that are relevant to my experience. Whilst I am sure my submissions would be generally agreed with, I am sure there are more ideas that would add collectively to a more comprehensive document. I urge that the Productivity Commission specifically identify the matters of concern and specify the document rather than identify it's need.

User pays

138. I am a fan of user pays. It is a more useful manner for apportioning the burden of cost relating to infrastructure without entering into the debate about growth related charges such as development and financial contributions.

139. Already many local authorities charge for water and sewerage which includes costs for upgrades.

140. The NZTA generate all funds for state highways from road user charges generated directly from fuel tax. That is an effective manner in which to delineate and ensure that growth and existing users pay their fair share.

141. Whilst perhaps not popular, it may be sensible to suggest that local authorities change to user pay systems to better represent and charge for the cost of maintaining and improving infrastructure.

Summary

142. I agree with the findings of the draft Productivity Commission report.

143. I seek that the Productivity Commission expand into particular issues to consider the more robustly the impact that they have upon housing affordability.

144. Aspects of the report are overtly simplistic and do not provide enough evidence to support the conclusions made. Further investigation may be required to justify the recommendations of the report when finalized.

145. I assert that apartments and high rise compact living is not the answer to affordability in New Zealand. Whilst they are an important part of the market they are not the sole solution. Planning cities at levels of density that rely upon the predominance of apartments to house residents is likely to result in abject failure and severely impact affordability.

146. I agree that land supply is a major issue and has a significant impact upon housing affordability.

147. However land supply will only reduce if over supply of development land is so wide spread that it produces a glut and prices are reduced. The Productivity Commission needs to quantify what level of over supply is required before reversal in land values would occur. It is one thing to suggest land is the issue, but entirely another manage those costs down. How does the commission recommend that this is implemented?

148. It is my assertion that dealing with land supply is an obvious and easy issue to deal with compared with managing and implementing other more complex contributing issues that impact upon housing affordability. Thus it makes sense to prioritise this as the most significant issue.

149. I conditionally agree with the release of more land. However I suggest that land released must be developed in a more appropriate manner to ensure better quality outcomes.

150. I also recommend that the Productivity Commission more closely assess the impact of mortgage loan to equity requirements and provide advice as to what impact this has on housing affordability. Particularly with reference to the issues associated with funding unit titled dwellings. Recommendations on how to improve affordability through financing would be a very useful outcome of the report, again with specific reference to solutions that resolve the matters where they affect mortgages for unit titled dwellings.

151. I advocate that house typologies such as fee simple terrace housing can deliver a moderated position between stand alone houses and apartments as a palatable and affordable housing typology.

152. I also suggest that a range of land supply initiatives are required including significant up-zoning capacity within cities as well as release of land outside of cities.

153. The cost of materials are high, and there is a warranted call to investigate this further and make recommendations that will improve costs for all New Zealanders.

154. I state that Council's have an indoctrinated view to planning cities that is erroneous and as a result is costing us dearly. When implemented through planning framework the indoctrinated views are failing to achieve the outcomes sought, such as intensification targets. This is impacting upon housing affordability.

155. There is not clear evidence that growing cities are unaffordable. It may be true to an extent, but it is not as compelling an argument as it is being made out to be. This needs investigation to prove or disprove the rhetoric.

156. Development and Financial Contributions are being over charged and the process is difficult to quantify. A return to appeal rights to the Environment Court is a prerequisite to resolving the matters concerning contributions and fair and equitable payments.

157. However a precedent document within Schedule 13 of the LGA would also work sufficiently to guide all Council's more robustly on the development of contributions formulas and cost allocations.

158. The implementation of a schedule must include a requirement for Council's to publish an annual schedule of assets including capacity, age, and depreciation earnings that will better inform both Council and the development community as to the baseline data for calculations on projected infrastructure requirements.

159. A user pays based system may work to reduce the impact and fairly attribute costs to the users.

160. The content of this submission are solely the opinion of the writer of this submission and not the opinion or view of any connected party.