

New Zealand Productivity Commission
PO Box 8036
The Terrace
Wellington, 6143

Re: Using Land for Housing

I am a Registered Property Valuer with 40 years experience in urban land and utility valuation.

I have also had experience as a National Director in a major International Real Estate Company.

I have acted extensively in providing valuation advice for major subdivision developers over the years.

I have lectured in Land Valuation at Lincoln University.

Clearly urban land for housing is at unaffordable price levels in the major urban areas particularly Auckland. Land in Auckland now comprises 60% of property value whereas historically, and indicated overseas, it should be no more than 30% of total property value.

This high level of land cost has resulted in significant property unaffordability shown by the declining number of people that own property and the current view that a significant number of the young generation will never own property.

In my view the problem is even worse. It can be clearly stated as follows:

“Planners are responsible for Child poverty”

If you look at land cost in Auckland it is on average at least \$200,000 too high. This represents the marginal cost to a new property owner and the net cost for a 6% interest mortgage is \$12,000 net per annum. This is after tax. The cost of new housing flows through to the cost of existing stock and does have an impact on rental levels. Clearly reducing land cost will have significant benefits to the net cash in most New Zealanders' pockets and will have a significant impact on “poverty” levels in New Zealand.

Planners are responsible for this result due to their various land rationing policies that have been in vogue even prior to the RMA. The effect of this land rationing due to Green Belts and Smart Growth coupled with the recent adoption and increase in development contributions is entirely responsible for the state of the current unaffordable property market.

When we have up to 50,000 new people entering the Country each year we need to supply more properties for them to occupy. Planners have not focused on this but have spent their time trying to define the urban form and even with this goal they have desperately failed.

Suggestions (In no particular order)

1. Town plans in New Zealand are far too complicated and varied. They bring a huge degree of uncertainty into the land development and utilisation process. We should have a single model District Plan for all Councils as a base document. If Councils wish then can then add variations to this document only when they have been passed by majority ratepayer vote. The current consultation process around proposed plans is a joke. They are so complex it is beyond the scope of

the average ratepayer or even most professionals to make a compelling submission for change. Most if not all submissions are traditionally ignored by the Planners. It all needs to become more simple and understandable so that productivity of land use can be increased.

2. Development contributions for connecting to existing network services should be stopped. Many new subdivisions have no impact on current networks. Many current networks are under spec or reaching the end of life. This should not be a limiter to development expansion. Cost of the entire network should be shared by all users on an equitable basis and not by the levying of arbitrary cost levels on new users.
3. Subdivision should be a permitted activity for all rural land adjoining an urban area. Let the market decide when to supply new stock.
4. When a developer seeks a land zone change from rural to residential the entire land area should have to be developed and marketed in full within three years to stop land banking. This can be achieved easily by determining the level of rates that would be paid for the potential section yield and levying those rates in full immediately. This would also slightly offset the removal of the development contribution from Councils.
5. Land Use, particularly for retail and manufacturing is changing very rapidly. We need to have land use plans that quickly allow economic land use changes to occur. For example retail is changing. Overseas experience shows retail shops are in much reduced demand and large malls are even being shut down. If we don't allow quick changes of land use you end up with urban decay and misallocation of capital. There are many examples of this in New Zealand already.
6. The Internet is shaping up as a very significant factor in urban form, land use and economic performance. The current CBD centre urban model is changing and planners, Central and Local Government need to factor this into all plans by ensuring the spread of Fibre and Wireless networks into areas where they wish to redirect growth. Those localities that adopt very high speed wireless at minimal cost will show better urban growth and utilisation in the future. So instead of just focusing on providing new land next to existing urban areas Government should facilitate the use of land in close proximity by better supply of technologies that are required for changing commerce.

Pre earthquake in Christchurch I made a submission to this effect that we should encourage the growth of peripheral centres (Urban Villages) such as Rangiora and Rolleston by providing the ability for them to expand but the planners at that time were focused on CBD Christchurch, Green Belts and Smart Growth. Post earthquake the peripheral areas have expanded yet the focus is now on light rail to bring commuters to Christchurch. It is more efficient to leave them there and provide networks and premises that will allow them to work. Instead of one lucky town becoming Gigatown we should be facilitating dozens throughout the Country.

Planning is an economic dead weight. Some planning is required for quality of life but it should be a gentle hand that controls it.

I would be happy to participate in any forum, productivity event or provide additional comment if required.

Yours faithfully

Wilson Penman

