

18 December 2014

Inquiry into Using land for housing
New Zealand Productivity Commission
PO Box 8036
The Terrace
WELLINGTON 6143

Dear Sir/Madam

Re: Wellington City Council's submission on 'Using land for housing'

I enclose Wellington City Council's submission on the issues paper *Using land for housing*, which is due on the 22 December 2014.

The Council is pleased that the Productivity Commission is looking into this important issue and that it is part of a wider inquiry into providing affordable housing for New Zealanders

The Council's submission contains a number of recommendations which we believe will help support an increase in the number of affordable houses in the short to medium term. This includes a suite of legislative and financial changes to enable local and central government, and public/private partnerships, to be more actively involved in the brownfield and greenfield housing markets.

I would also like to thank the Commission for meeting with the Mayor, myself and officers on the 4 December. This was an informative meeting, and I look forward to having an ongoing dialogue with the Commission as this inquiry progresses.

Yours sincerely



Kevin Lavery
CHIEF EXECUTIVE

WELLINGTON CITY COUNCIL'S SUBMISSION

FOR THE PRODUCTIVITY COMMISSION ISSUES PAPER:

USING LAND FOR HOUSING

December 2014

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Wellington City Council submission



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Executive summary

Since 2008 Wellington has experienced lower than expected growth in the population, partly as a result of the Global Financial Crisis and a drop in investment and migration. This situation is now turning around with business confidence high and growth in the resident population jumping from 0.7% to 1.3% in 2013. Increasing population growth is being driven mainly by immigration from people with high skills and looking for a higher quality of life. Council is investing in a range of economic growth initiatives to retain and attract these highly skilled people in order to grow the economy and our ratepayer base. In turn this will enable projects to be funded without placing an undue burden on ratepayers. This approach will also grow tax revenues for the government and benefit the whole economy. This strategy is however expected to place higher demands on our housing development sector to provide a high number and variety of housing across the city.

In addition to economic catalyst projects, the Council is exploring housing initiatives such as a land development agency approach. This could include the provision of affordable housing. This function goes hand in hand with the implementation of the Wellington City Housing Accord and the delivery of special housing areas. We are pleased with the support we have received from Government and look forward to constructively working together in bringing more houses to market.

In early 2014, the median house price in Wellington City was 5.8 times the median income. The cost of housing across the wider metropolitan area of Wellington (Kapiti, Porirua, the Hutt Valley and parts of the Wairarapa) is generally cheaper and is 5.5 times the median income.

In recent times the debate about affordable housing has centred on the assumption that if territorial authorities make more land available for housing that this will make housing more affordable. This submission shows that Wellington has over 20 years zoned greenfield land supply for housing, 30 plus years infill housing land supply, and in excess of 50 years capacity for high density apartment living in the central city and suburban centres. Participants from all of the 10 territorial and regional authorities involved in this inquiry recently attended a LGNZ workshop. All told similar stories that there is not a shortage of land for housing in their districts, but that the more significant issues were land banking, the difficulties in freeing up brownfield land for comprehensive redevelopment, and having the necessary infrastructure and services in place to support housing development.

Our research shows that in the northern greenfield areas of the city, only around 100-150 allotments are brought to market each year. Most of this land is sold as house and land packages with a set number of housing designs. This low capacity model of delivery reduces the developer's risk of not 'flooding' the market whilst maintaining high house prices. This land can be serviced, but this tends to be delivered in sub-optimal ways with high whole-of-life infrastructure provided instead of lowest lifecycle cost infrastructure (eg large reservoirs).

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In the suburban brownfield areas of the city there is strong demand for medium density housing but it is becoming increasingly difficult to realise these opportunities given the complex nature of infill development and some community opposition. The Council is up-zoning areas around suburban centres and promoting mixed residential and commercial use in suburban centre zones and the central city to provide opportunities for more affordable housing choices close to commercial and community facilities and services, and public transport.

Relying on the private sector to provide affordable housing has left areas of the country like Wellington, experiencing a shortage of affordable housing which is negatively impacting on the economy and many New Zealanders quality of life. Other parts of the country are in decline, with shrinking ratepayer bases and high infrastructure costs associated with maintaining roads and three waters infrastructure, whilst being required to meet high environmental standards.

The supply of housing and supporting strategic infrastructure, and the provision of affordable housing is a national issue which spans local authority boundaries. However the current institutional and legislative approach to affordable housing is not fit-for-purpose - it is uncoordinated, lacks a national framework, and largely relies on local government and the private sector to deliver land and housing.

This submission proposes the development of a *national growth management framework* to address housing supply and affordability issues, to integrate central and local government approaches to land supply, infrastructure provision and housing supply and affordability. This could include:

A central government agency to deliver policy and funding relating to:

1. A central government agency responsible for delivering policy and funding relating to:
 - a national growth management strategy which merges/aligns with the National Infrastructure Plan;
 - a contestable national fund to enable public/private partnerships and/or local and central government delivery of 3 waters strategic infrastructure (wastewater, water and stormwater) and affordable housing.
2. Legislative changes relating to:
 - Local Government (Rating) and Public Finance Acts - explore alternative funding tools to provide for the upfront costs of strategic infrastructure, and local and central government earn back funding approaches
 - Housing Accords and Special Housing Areas Act:
 - retain the ability to create Special Housing Areas and qualifying developments (either by extending the term of the Act and/or make similar changes to the RMA);

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- in proposed/approved special housing areas allow the plan change provisions in the HAASHA Act to apply to the rezoning of the land for housing purposes and for all consent categories (not just prohibited activities);
 - allow apartment buildings above 27 metres to qualify as part of a SHA under the Act.
 - Resource Management:
 - Ensure an integrated legislative approach which recognises the relationships between infrastructure development and the urban planning system;
 - provide enhanced regeneration powers to central government development agencies, local authorities, and public/private sector entities to buy, assemble and develop greenfield and brownfield land for housing;
 - spatial/growth management plans be given legislative weight by the Courts;
 - remove the ability to appeal the substantive decision of the Council to the Environment Court provided mechanisms/processes are in place to ensure a robust first instance (Council) hearing.
 - extend the designation timeframe for delivery of strategic infrastructure from 5 to 30 years.
 - Public Works Act
 - enable approved central government development agencies, local authorities, and public/private sector entities to compulsorily buy, assemble and develop land for economic catalyst projects, housing, and affordable housing.
3. Develop alternative funding tools to provide for the upfront costs of buying and developing land and strategic infrastructure for the purposes of facilitating economic growth and the development of affordable housing.
 4. Local authorities (such as Wellington City Council) should not be specifically excluded from the definition of 'community housing providers of social and affordable housing' in the Housing Restructuring and Tenancy Matters (Community Housing Provider) Regulations 2014. Tenants would then be able to receive the government income related rent, if they meet the eligibility requirements.

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1. Introduction

Wellington City Council's submission is in response to the NZ Productivity Commission's (the Commissions) discussion paper titled *Using Land for Housing*. The closing date for submissions is 22 December 2014. The Council would like to thank the Commission for meeting with the Mayor and senior staff on Thursday 4 December 2014. We would be happy to host similar meetings to help inform the recommendations to Government on this inquiry.

The Council intends to be actively involved in this inquiry and appreciates the significance of this inquiry and the importance of providing high quality affordable housing for all Wellingtonians and New Zealanders. The Council will be making a further submission on the May 2015 draft report. It is understood that the final report to Government will be at the end of 30 September 2015.

1.1 Structure of submission

This submission is structured as follows:

- Section 1: - Strategic overview of Council's approach to economic and urban development in the city as it relates to the inquiry.
- Section 2: - The second part of the submission answers in detail the discussion paper questions. Some of the questions posed have not been answered directly as they relate to developer perception/views on how local authorities provide land for housing. Other responses deal with a group of questions covering the same topic.

1.2 Scope of the inquiry

There are 74 wide ranging questions designed to elicit information on:

- current approaches to urban land supply, including the provision of infrastructure;
- funding and governance of water and transport infrastructure;
- involvement and engagement with the community;
- what lessons can be learnt from recent initiatives such as the introduction of Housing Accords and Special Housing Areas.

The issues paper seeks information about how the regulatory systems and supporting infrastructure can be improved to unlock further land for housing and to enable consents to be granted. In doing this, it is assumed that increasing housing supply will help make housing more affordable.

The inquiry focuses on the 10 territorial authorities (and the regional authorities in these areas) that have experienced the greatest population growth between 2001 and 2013. Housing Accords are in

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place for five of these districts (Wellington, Auckland, Tauranga, Christchurch, and Queenstown-Lakes).

1.3 Support for the inquiry

This Council supports the need for this inquiry and hopes that it will lead to actions that increase the supply of land for low, medium and high density housing. Particularly in areas identified in the (draft) Wellington Urban Growth Plan (WUGP) and supported by the Housing Accord and identified Special Housing Areas. The Council has an economic growth agenda and is pursuing a range of initiatives that will support further housing and commercial development which will be funded through the 2015-2025 Long-term Plan (LTP). The LTP will go out for public consultation in February 2015.

A better understanding of these issues will enable Central and Local Government and the private sector to better work together to provide more affordable housing.

1.4 Housing affordability

In early 2014, the median house price in Wellington City was 5.8 times the median income. The cost of housing across the wider metropolitan area of Wellington (Kapiti, Porirua, the Hutt Valley and parts of the Wairarapa) is generally cheaper and is 5.5 times the median income.

Housing supply and affordability are complex issues. Individual developer and consumer decisions around developing, buying, and selling housing are not just based on compliance costs. Other issues are the availability and cost of finance, the quality and size of housing, locational attributes (neighbourhood amenities and character, distance to work and availability of public transport), costs of living, and development constraints (topographical, geotechnical, access etc). Many of these issues are addressed in a report prepared for Council to inform the development of the WUGP¹. This report was made available to the Commission at the meeting with the Mayor on 4 December 2014. It can be found on the Council website (<http://wellington.govt.nz/~media/your-council/projects/housing-choice-supply/wcc-residential-study-final-report.pdf>).

Many of the issues outlined in the above paragraph are outside the control of local government, and it is important that this is acknowledged in the inquiry. However, the areas that are within our control are:

- the development of spatial planning (Wellington Urban Growth Plan, Northern Growth Management Framework, Lincolnshire Farm Structure Plan, the District Plan.), and masterplanning (Adelaide Road Framework)

¹ *Wellington City Housing and Residential Growth Study: Final Planning Assessment and Recommendations*, Sept 2014, The Property Group for Wellington City Council

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- infrastructure provision (roads, 3 waters, community facilities (swimming pools, libraries, recreation centres etc)
- as a landowner (reserves, community facilities, infrastructure, commercial ground leases etc)
- a provider of social housing through its existing portfolio of social housing

However, as outlined in this submission, there are no additional legislative tools available to the Council to actively address market failure by acquiring and assembling land, and redeveloping derelict, earthquake prone or underutilised sites/areas for housing etc). This submission makes recommendations on further tools that could be made available to local authorities in cases where there is market failure occurring to enable redevelopment and regeneration within brownfield and greenfield areas.

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2. Wellington City Council land for housing

2.1 Council's approach to providing land for housing

The (draft) Wellington Urban Growth Plan states that over the next 30 years the population will grow by 50,000, to 250,000. The city's population will also be older, have fewer families and more people renting (as a percentage of the total) than today.

The District Plan has sufficient land currently zoned for residential development as follows:

- 20 years supply of greenfield land
- 25-30 years supply for residential infill
- 60 plus years for high density residential development in the central area.

An additional 15 plus years of rural zoned land could be re-zoned before the existing urban zoned greenfield land is exhausted.

The table below shows that there is high demand for medium and high density housing in the city, representing approximately 75% of all new housing.

| Housing type | No. Dwellings 2008-2012 | % of new dwellings | WUGP target |
|-------------------------|-------------------------|--------------------|-------------|
| Greenfield | 760 | 23% | 25% |
| Infill/Medium density | 1258 | 38% | 35% |
| Central City/Apartments | 1269 | 39% | 40% |
| Total | 3,287 | 100% | 100% |

2.2 Social housing

Council as a provider of social housing

WCC is one of the larger social housing providers in the country, providing 2300 units and housing over 3500 people. It is a major social housing provider in Wellington City; with Housing New Zealand Corporation (HNZC) being the second largest with around 1890 units. The housing is targeted to tenants in the greatest need who cannot afford a home. Almost all local authorities provide some housing services with about 13,000 housing units provided in total throughout the country.

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The 30 year housing upgrade project (HUP) to improve the Council's social housing is currently underway with the first 10 years funded by government (\$220m) and the remaining 20 years funded by the Council. The agreement with the Crown commits the Council to remain in social housing until 2037.

Social housing reforms

Recent reforms to social housing have been focused on growing the number of community housing providers. The reforms recognise the need for Income Related Rent (IRR) to be available to these providers on the proviso they meet the standards for registration, and eligible tenants were placed by the Ministry of Social Development. This provides a more level playing field for these tenants and recognises the need for financial sustainability of the providers.

These factors do not appear to have been taken into account with respect to local authorities. The regulations exclude local authorities operating rental housing and being registered community housing providers unless they relinquish control of these operations. A transparent process for tenants across all social housing providers is important to ensure the effectiveness of social housing provision and access to IRR to support the sustainability of the sector.

2.3 Strategic provision of infrastructure

Development of most of the City's greenfield land identified for urban growth is managed through a structure plan which identifies land for housing and business and commercial activities, key roads, and reserve requirements. As most of the greenfield areas in the northern parts of the city areas owned by 2 landowners, Council is able to enter into legally binding private agreements with the developer to provide growth related infrastructure (roading, 3 waters, and reserves). This can be built and paid for upfront by the developer; or the Council builds it and is reimbursed by the developer.

The significant upfront developments costs can sometimes mean that higher whole-of-life and 'fragmented' infrastructure is provided instead of integrated and lower whole-of-life (but often more expensive) infrastructure (eg reservoirs). This is inefficient and increases servicing and maintenance costs in the medium to long term.

Where Council is required to upgrade existing infrastructure this is paid for by the Council (ratepayers). In areas of the city where new allotments/houses are created, growth related infrastructure is paid through development contributions (DCs).

Asset management plans and LTP funding identify the Council's investment in new and existing Council infrastructure for the next 10 years. The WUGP aligns future growth areas with the provision of urban infrastructure including transport. This provides a blueprint for development over the next 30 years, which provides investment certainty to Government (HNZC, NZTA), network utility providers (Wellington Electricity, Telcos, developers and the community).

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Infrastructure planning consistent with growth management planning needs to take a long term view. Land needs to be identified and set aside for roads and infrastructure before development occurs. However, the designation provisions in the RMA allow only 5 year terms for designations. In specific cases extensions can be given. In reality however, typical planning horizons for infrastructure are up to 30 years.

2.4 Consultation and a targeted approach to land for housing

In the last 10 years, the Council has consulted widely on its current approach to residential and business development in the city. This has led to a targeted approach to residential intensification in the Central City and key suburban centres. At the same time additional controls are now in place to better manage poor quality infill and to protect important inner city character suburbs.

There is growing demand for medium density housing, but few opportunities to develop land comprehensively. Consultation undertaken with specific community groups often raise concerns that higher densities will result in poor quality development and reduce property values. Many people in these communities however want to age-in-place, have higher quality, insulated houses that are close to supermarkets, public transport, and community amenities. Further areas around key centres are proposed to meet this community need.

2.5 Council housing regulation and developer compliance costs

The discussion paper focuses on understanding the compliance costs of local authority RMA processes.

Resource consents

On average the Council processes between 750-850 resource consents per annum. See table below:

| Year | Non-notified | Notified |
|---------|--|---|
| 2012/13 | 765 | 3 limited notified, 2 fully notified, None declined |
| 2013/14 | 779 – 530 building and allotments (houses) | 15 – 9 limited notified, 6 fully notified – 2 declined by commissioners (Harcourts and a billboard) |

In 2013/14 the Council processed 779 resource consents, which related to consents for 530 houses. The Council is currently experiencing an uplift in the number of consents issued this year and it is expected building consent numbers could be 900-950 this financial year. Approximately 600-700 of these consents could relate to consents for housing (subdivision and building consents). Officers place a strong focus on pre-application processes to ensure lodged applications are 'consentable'. In the last

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5 years no non-notified applications have been declined. There have also been very few notified applications.

District Plan

The District Plan was notified in 1994 and made operative in 2000. Since then, the Council has undertaken a rolling review resulting in 89 plan changes/variations, 82 appeals, 1 judicial review and 8 Environment Court hearings. The focus has been on mediating appeals, however this is a very costly and time consuming process, often resulting in compromises that have 'sub-optimal' outcomes.

Plan change processes are expensive and often controversial, with any submitter being able to appeal the Council decision. The appeal process allows developers, community groups and residents to 'game' the system by not engaging in the process, drawing processes out and seeking sometimes unrealistic outcomes. Many of the unwieldy and complex rules in the District Plan originate from compromises made as part of the mediation and appeal processes. The review of the RMA should consider streamlining plan change processes and consider restricting third party appeal processes provided the first instance (Council) hearing is robust. These changes will help reduce costs, reduce timeframes and help provide more certainty for housing developers.

2.6 Housing accord

The Council entered into a Housing Accord with the government to approve 7,000 new houses over the next 5 years (1,000 first year and 1500 thereafter). The Council has identified 8 Special Housing Areas (SHAs) as part of the recently approved (20th November) first tranche of SHAs. This includes financial and process incentives to encourage more accelerated housing development in these areas. Further tranches of SHAs are proposed in the near future.

The Council is working closely with the government on the implementation of the Housing Accord. The Greater Wellington Regional Council (GWRC) is also involved in this process as it performs an important role in approving mass earthworks and modifications to stream systems before housing can be developed. Their environmental protectionist approach runs counter to the growth strategies reflected in the District Plan (and identified as SHAs in the Housing Accord). This approach by GWRC is frustrating as it followed extensive consultation with the Wellington community and GWRC in the mid-2000s. The Council and the Ministry of Business, Innovation and Employment are working with them to try and align the City Council's development objectives in these identified growth areas/SHAs with GWRC's more habitat/ecologically focussed approach.

The Council has also lodged a submission on GWRC's draft regional Natural Resources Plan. At this stage no recognition has been given to the significance of allowing development to occur in these growth areas. Again, the Council will be working with them to try and change their current approach.

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The HASHA Act (and Housing Accord) provides developers with a greater degree of certainty, by limiting third party rights and enabling the Council to apply a more flexible approach to the assessment of development against the District Plan. Well planned and designed developments will therefore be approved. No further SHAs can be created after Sept 2016, and qualifying developments within these SHAs cannot be processed after Sept 2017. The Council would like to see this approach reflected in changes to the RMA and/or the HASHA Act provisions extended.

The HASHA Act currently does not apply to housing developments above 6 storeys or 27 metres in height. This is a significant flaw in the Act as it does not allow the Council to apply the Act provisions to large parts of the Central Area zone (covering all of the central city) where demand is greatest for high density apartment living. It is understood that other councils, such as Auckland Council, have raised similar concerns with the Government.

The Plan Change provisions of the HASHA Act can only be applied to a unitary plan where certain developments are prohibited activities. The Council's District Plan is not a unitary plan and has no prohibited activities. Therefore the Council cannot rely on the shortened plan change and limited third party right provisions in the HASHA Act.

The effect of this is that if the Council allows residential development to occur in 'wrongly-zoned' sites through applying a SHA, the Council will be left with potentially significant legacy issues and the need to then undertake plan changes to tidy up zoning issues once the HASHA Act is repealed in September 2018.

2.7 Land banking and affordable housing

The greenfield housing market is largely controlled by two developers who usually sell the land as 'land and house packages'. Between them they release only about 100-150 allotments/houses onto the market per year. During the GFC, these figures were halved. In these circumstances, relatively high house prices can be maintained through land-banking and controlling the supply of housing to market.

At the same time, it is recognised that Wellington City is part of a wider metropolitan housing market including Kapiti, Porirua, the Hutt Valley and some parts of the Wairarapa. When house prices remain high prospective home buyers are forced to look to other parts of the region for housing. This encourages urban sprawl across the region, leading to inefficient provision of infrastructure, high costs of transportation and public transport, and adds to the day-to-day costs of moving freight and doing business. The Council recommends that changes be enacted to the Public Works Act and the RMA to enable territorial authorities to compulsorily acquire and designate greenfield land for housing.

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2.8 Funding and urban regeneration

Major redevelopment opportunities in Wellington are in Te Aro flat (Central Area zone) or identified suburban growth areas such as Johnsonville, Newlands, and Kilbirnie town centres, and Adelaide Road. It is likely further place-based development frameworks will be developed in the future to promote urban renewal and provide opportunities for high quality development. Land in these areas are characterised by fragmented/multiple ownership and a variety of land uses. Development visions are hard to realise due to their complex nature and the limited mechanisms available to actively bring about change.

The Council is also considering establishing a land development agency to implement the economic growth initiatives proposed in the Long Term Plan and to deliver affordable housing. However the Council also needs to be able to use enhanced urban regeneration powers to acquire, assemble and develop land for affordable housing. The powers should also be extended to central government development agencies, and public/private sector entities.

These matters are discussed in more detail under each of the questions contained in the discussion paper.

3. Response to Questions

3.1 Evaluating the planning and development system

1. *Is it helpful to think of the planning and development system as a means of dealing with externalities associated with land use and coordination problems? What other factors should the Commission consider in evaluating the role of the planning and development system?*
2. *Can the current land planning and development system be made to work better to benefit cities throughout New Zealand? Is a different type of planning system required to meet the needs for housing in New Zealand's fastest growing cities?*
3. *What criteria should the Commission consider in evaluating the current land planning and development system in New Zealand?*

Legislative failings

The environmental effects based approach of the RMA is an 'externalities' based approach to resource management. RMA decision-making is often made on a case-by-case basis at the expense of taking a long term strategic or cumulative impact view of development. This fragmented approach to development acts against well planned, efficient and integrated approaches to the provision of land-use and infrastructure.

New Zealand is one of the most urbanised countries in the world with 86% of the population living in an urban area, and 53 percent living in the four largest cities of Auckland, Christchurch, Wellington, and Hamilton. After more than 20 years of the RMA there is no specific recognition given to the importance of the urban environment and the need to have a planned approach to urban development, infrastructure, and high quality urban design. The issues and problems outlined in this discussion document are in part due to these failings and the lack of national direction to local government on land for housing and affordable housing issues.

Wellington City Council's response

The Council has sought to address these failings in the current legislative framework by proactively planning for the future of the city, including using collaborative processes with other agencies, stakeholders, and the community. The Council is currently developing a *Wellington Urban Growth Plan* (WUGP) which combines the Urban Development and Transport strategies (2006). It is a 30 year growth management strategy which aligns land use and infrastructure planning and financial and asset management. This will provide certainty of investment for the community, developers and the Government.

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Place-based non-statutory *planning frameworks* are in place for Johnsonville, Newlands, Churton Park and Kilbirnie town centres, and Adelaide Road. The District Plan includes policies and rules to help give effect to these frameworks, as well as providing for residential intensification around the Johnsonville and Kilbirnie town centres (medium density residential areas).

The *Northern Growth Management Framework* (NGMF) was also developed for the northern suburbs of the city to allow future greenfield development to occur. A significant part of the NGMF land, referred to as Lincolnshire Farms, will be developed over the next 20 plus years in accordance with a structure plan that was introduced by way of Plan Change 45 – Urban Development Area and Structure Plans.

The *Central City Framework* (2011) gives a strategic direction for the growth and enhancement of Wellington's central city over the next 30 years. It guides the Council's urban design and planning, investment in public infrastructure and public realm improvements in the central city. Detailed masterplanning and design work then drives the delivery of projects in key areas of the central city.

One example of this in action is the proposed improvements to Victoria Street (from Manners Street through to Abel Smith Street). The Council is working in a joint venture with the Memorial Park Alliance designers and constructors² to deliver this project. These works are currently underway. This investment in the public realm (realignment of the street and intersections, landscaping, new street furniture and pavements etc), will transform this area and be a catalyst for private sector investment in apartments and businesses in this area. For example, a key catalyst project in this area is planned for the 'Deca site' on the corner of Victoria/Dixon/Cuba Streets. This will be the inner city campus for Whitireia and Weltec Polytechnic.

The WUGP and place based planning frameworks have no regulatory effect and are not recognised by the Environment Court when considering plan changes and resource consent applications. Unlike the policy environment under the Local Government Act, planning policy under the RMA is always at risk and uncertain.

Housing affordability needs a national response

Relying on the private sector to provide affordable housing has left areas of the country including Wellington experiencing a shortage of affordable housing which is negatively impacting on the economy and many New Zealanders' quality of life. Other parts of the country are in decline and continue to experience depopulation, a shrinking ratepayer base and high infrastructure costs. This makes it difficult to maintain roads and three waters infrastructure whilst meeting high environmental discharge standards.

² This was originally set up by the NZ Transport Agency with Downer NZ, HEB Construction, URS and Tonkin & Taylor to design and build the Memorial Park in Te Aro.

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The supply of housing and the provision of affordable housing is a national issue which spans local authority boundaries. Central government is a major road funder and builder and provides funding for the provision of public transport, local roading and cycling. It does not however provide or fund infrastructure for other essential public works such as the 3 waters.

The current institutional and legislative approaches to affordable housing are not fit-for-purpose. They are uncoordinated, lacking a national framework, and largely rely on local government and the private sector to deliver land and housing.

The Council supports the development of the Wellington City Housing Accord and is working constructively with the government on creating opportunities for further growth in housing in the City.

This submission proposes the development of a national growth management framework to address housing supply and affordable issues. This would integrate central and local governments' approaches to land supply, infrastructure provision and housing supply and affordability.

Recommendations:

Establish a central government agency/or task a current central government agency with responsibilities to deliver policy and funding relating to:

- A growth management strategy which merges/aligns with the National Infrastructure Plan
- A contestable national fund to enable public/private partnerships and/or local and central government delivery of 3 waters strategic infrastructure (wastewater, stormwater, water) and affordable housing
- Ensure an integrated legislative approach which recognises the relationships between infrastructure development and the urban planning system.
- The RMA should include strategic urban planning and infrastructure provision as a matter of national importance
- Legislative, national guidance or practice reforms to reduce uncertainties caused by the difficulty, cost, and inconvenience of effecting changes to RMA plans, and by the delay and uncertainty caused by the role of the Environment Court.

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4. *Would a significantly increased supply of development capacity lead to an increased supply of affordable housing, or would further regulatory or other interventions be required to achieve that outcome?*

Section 2.1 of this submission shows that Wellington City has 20+ years of appropriately zoned greenfield land and in excess of 30 years supply of medium density and high density land for future residential development. Despite this, housing (and business) development in the city has been slow in recent years and will continue growing at a relatively slow rate unless there are targeted interventions by the Council and the Government to help stimulate the housing market. The following outlines some of the key reasons for housing development in the city being slower than it should be and the Council's plan for the future.

Role of the property development market in Wellington

The Wellington property development market is characterised by a few 'main' players in the greenfield and apartment market. There are few developers currently operating in the residential infill/medium density housing market, partly as a result of property development businesses going out of business during the Global Financial Crisis; the difficulty in acquiring and developing sites of sufficient size; the costs and difficulty in developing bespoke housing to meet the limitations of the site; and compliance with resource management and building act requirements. Development of infill sites also generate NIMBY (not-in-my-backyard) reactions from established communities which can add significantly to development costs through notification and appeals processes.

Those developers currently operating tend to have a business model that they are familiar with and are reluctant to enter into other forms of housing and other local housing 'markets'. This is particularly evident in the medium density housing market where there is clearly demand for a variety of housing forms (apartment, townhouse, terrace and stand-alone) with different bedroom configurations (1-4 bedroom houses). This is referred to in the cited reference earlier in this submission (*Wellington City Housing and Residential Growth Study*).

Investment plans

Whilst this lack of development capacity, experience, and skills in the property development market is concerning, the more significant issue is the lack of growth in the City's employment market, which is reflected in our ratepayer base remaining static over the last few years. Growth in the business community will result in increased housing demand and development.

The Council will consult with the community over the next few months on an ambitious economic development programme to lift the economic performance of the City. The Council has an AA credit rating, and the Auditor General has recently announced that the Council's asset management

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strategies and financial management tools to be amongst the best in local government. The Council is therefore proposing to raise our current, relatively low debt to income levels.

Investment in Council's '8 big ideas' (<http://wellington.govt.nz/your-council/news/2014/01/eight-big-ideas>), investment in roads associated with the Roads of National Significance project (RoNS) and Lincolnshire Farm connections with the proposed Petone to Grenada link road, and investment in urban regeneration projects associated with Victoria/Cuba St and Te Aro (Kent/Cambridge) will catalyse private sector investment in employment-generating businesses which will grow our rate payer base and help pay back Council's investment in these projects. In turn this will generate demand for all forms of housing across the city. This approach is based on the understanding that our current infrastructure is well maintained and has capacity for expected population growth in the City.

This economic development will benefit the government by increasing tax revenues and other user charges imposed by government (eg petrol tax revenues). The Council believes that as the benefits of economic growth are both local and national that government should assist the Council with the implementation of its growth agenda.

These initiatives and changes in funding policy will be contained within the draft Long Term Plan (LTP) which will go out for formal consultation in February 2015 and be signed off by the Council in June 2015. This is discussed in more detail under question 50.

3.2 Comparative analysis of Council's performance

5. *What data sources will be most useful in identifying effective local authority planning processes for the development of land for housing?*

The Council can provide important information on land for housing issues in Wellington. The Council can provide qualitative and quantitative information as well as process-specific information on resource consent numbers and types of land-use, processing times, plan change timeframes etc. This is obtained from the Council property based IT system called Teamwork. This system contains all property related interactions property owners have had with council since the early 1990s, and includes all building and resource consents related consents and transactions from which a wide range of development related information can be extracted.

The Council's website contains District Plan and urban development related research and information, forms and guidance for resource and building consents.

In early 2015 the Council will be going live with an E-plan. This enables property owners/developers to search on specific properties and be provided with all relevant District Plan rules relating to that property. The next phase of E-plan development will enable landowners to access a wider range of information including exploring how specific development proposals comply (or not) with the relevant

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District Plan provisions. This is a significant improvement on the current on-line District Plan which is acknowledged as being complex and difficult to understand. This is discussed in more detail below.

The Council can also provide GIS mapping assistance or information as well as direct the Commission to Council's demographic and forecasting websites. Statistics New Zealand will also be a useful source of information.

- <http://profile.idnz.co.nz/wellington>
- <http://forecast.idnz.co.nz/wellington>

6. *Are there other local authorities exhibiting good policies or practices in making land available for housing that the Commission should investigate?*

The Council has no comment on this question.

3.3 International evidence

7. *What policies and practices from other countries offer useful lessons for improving the supply of effective land or development capacity for housing in New Zealand?*

There are a number of options for local or central governments directly increasing land or housing supply. The most common and varied is a form of a land development agency (LDA). This is an agency that is specifically tasked with developing greenfield sites or redeveloping brownfield sites. Often these projects are seen as a catalyst for larger urban expansion or regeneration.

An LDA can take the form of:

- policy only (which would likely have limited impact given the status of the RMA);
- land amalgamation and sale which more often includes masterplanning and then a contract to ensure compliance with the agreed plan upon sale. To work effectively there needs to be some form of compulsory acquisition powers; or
- direct land acquisition and development. Development may solely rest with the LDA or they may involve a Public Private Partnership (PPP).

Australia

LDAs can exist at different levels of government. Australia has several examples of this which include a federal agency called Major Cities Unit (which was closed in 2013), or state based agencies including UrbanGrowth NSW, Places Victoria or Economic Development Queensland (previously called the Urban Land Development Authority – ULDA).

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Economic Development Queensland

The EDQ is a commercialised business unit that focuses on delivering residential, urban and industrial development. Similar to the Council's approach, this is aimed at driving employment and economy development. This is achieved through public private partnerships to develop land and infrastructure projects. Major projects include:

- masterplanning communities and major residential developments throughout the state;
- urban regeneration and a master developer roles on private and publically owned land;
- the sale or lease of state owned land; and
- involvement in development projects aimed at delivering employment and economic growth.

Case Study: Springfield, Queensland

Springfield is a fully masterplanned, privately built city, totalling 2860 hectares. It was owned by a single land owner with a vision that has and continues to be built out. State agencies, local governments and private institutions have contributed to the construction of this city. This included the development if a rail line, highway connections, private schools, university campuses, and a hospital and healthcare services. While this project was created and pursued by the private sector, the involvement of public agencies has been the key to its success.

United Kingdom

Homes and Communities Agency

The Homes and Communities Agency (HCA) is a non-departmental public body that funds housing and regeneration. It has been in operation since December 2008. In its original form it had much greater power and financial backing, but has since been reformed to save money.

The HCA works in local communities to provide affordable home and business premises to those that need them. This includes affordable homes for rent and sale, and market priced homes for rent or sale. It also regulates social housing providers.

The HCA estimates that their investment helps to build half of all new homes built in England, while also increasing local jobs and economies. The HCA is also able to sell public land to private housing developers. It also has a number of contestable grant or fund programmes that can be available for housing developments.

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Hong Kong

Urban Renewal Authority

The Urban Renewal Authority (URA) is the Hong Kong based agency responsible for addressing housing issues on the island by redeveloping and rehabilitating sites, heritage preservation, and revitalisation projects. These projects range from large precinct plans, street and laneway improvements to individual building improvements.

The Government set up the URA in 2002 with \$334 million initial seed money. In the long term, the URA will be self-financing.

Lessons Learnt

Strategic land-use and masterplanning of developments and communities is a common approach in many overseas jurisdictions. Markets respond well to this as it is seen as value adding and provides investment certainty for governments, councils, developers, private partners, the public and potential land buyers.

The answers under questions 1-3 outline Council's approach to undertaking strategic planning and masterplanning, and how this can provide certainty to the market and lead to private sector investment and growth in the local and national economy.

3.4 Key legislation

8. Alongside the Resource Management, Local Government and Land Transport Management Acts, are there other statutes that play a significant role in New Zealand's planning and development system?

There are a number of other statutes that the Council considers important to this discussion. They include the:

- Local Government (Rating) Act 2002
- Public Works Act 1981
- Building Act 2002
- Local Government Official Information and Meetings Act 1987
- Reserves Act 1977
- Health Act 1956

3.5 Planning processes

Accessibility of plans

9. *How easy is it to understand the objectives and requirements of local authority plans? What improves the intelligibility of plans?*

This question appears to be focused on eliciting feedback from the development community and the general public. Notwithstanding this, this question will be addressed with reference to the Wellington City District Plan.

Wellington City District Plan

The Council notified the current District Plan (DP) in 1994. It was made operative in 2000. Since then the Council has undertaken a rolling review involving reviewing approximately 2/3's of the District Plan. The Council currently has resolved all but one appeal on the District Plan and it is effectively operative. Further plan changes are proposed, or a decision could be made to undertake a full review of the District Plan. These decisions will be based on the potential outcomes from this review and the proposed review of the RMA.

From 1994 when the DP was notified and made operative, it almost doubled in size. This can be attributed to the submission, hearings, and appeals processes where all parties seek changes to the District Plan to address their particular concerns. The Council actively seeks to mediate plan change appeals rather than proceed to a full hearing of the Environment Court. This is because appeals are very costly - \$50k for minor appeals and \$100k-150k for larger appeals, excluding officer time for the Council. The process is also very costly for appellants and s274 parties (people who support an appeal and want to be part of the appeal process). Environment Court decisions often result in further changes/requirements which can lead to policy changes and add additional complexity.

The litigious nature of the RMA (and heavy reliance on case law) and complex plan change processes means that changes get made at virtually every stage in the process. This is because decision makers seek to reconcile differing positions and try and achieve a balance between private property rights whilst avoiding litigation. Participants in these processes know this, and often 'game' the system by not engaging properly in the process, drawing processes out, and seeking sometimes unrealistic outcomes. In many cases compromises cannot be achieved. The net result is that the District Plan becomes more complex and lengthy, often leading to improvements, but sometimes losing policy and structural coherence and resulting in poorer outcomes.

In 2000 it was calculated that the Wellington City District Plan cost the ratepayer \$6 million to develop and make operative. A full review of the District Plan today is unlikely to cost this much but could be in the vicinity of \$1 million per year over a 3 year period (\$3 million in total).

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A more standardised approach to District Plans with more effective national guidance would help reduce the complexity of district plans and enable them to be more easily defended in the Courts. Reducing rights of appeal to the Environment Court (similar to the approach used in HASHA) would further assist having less costly and simpler DPs, and with the support of national direction/guidance ensure greater consistency across the country. At the same time however, it is important that directly affected parties are able to participate in RMA processes.

10. Is ensuring an adequate land supply for housing an objective of current District or Unitary Plans? If so, what priority is this objective given?

As stated under questions 1-3 above, the RMA is deficient in not specifically addressing urban planning issues and the strategic provision of land for housing. The District Plan does not therefore have a chapter or specific policies relating to land for housing. This legislative deficiency has in the past been addressed through strategic land use planning undertaken outside of the RMA (eg the Northern Growth Management Framework, and the Urban Development and Transport Strategies) and more recently through the release of the (draft) Wellington Urban Growth Strategy. These important strategies do not have any regulatory effect and often are ignored or downplayed by the Environment Court as significant policy documents.

Recent greenfield land plan changes (Plan Change 45 (Lincolnshire Farm)) and medium density zones for Kilbirnie and Johnsonville (Plan Change 72 (Residential Review)) have helped give effect to these growth management strategies.

Through this strategy work Council closely monitors development in the residential market, and works closely with the development community in bringing land to market. This is particularly relevant now that the Council has signed a Housing Accord with the Government and has developed SHAs under the Housing Accord and Special Housing Areas Act 2013. This is discussed in more detail under question 72 of this submission.

Public consultation

11. What steps do local authorities take to ensure that all people potentially affected by land use Plan provisions or changes have the opportunity to comment? How effective and efficient are these steps?

12. What steps do local authorities take to understand and incorporate the views of people who are potentially affected by Plan provisions or changes, but who do not formally engage in the Plan process?

The nature, scale and likely effect of the plan change will shape the level of consultation undertaken with potentially affected parties. Where it represents a significant policy change such as Plan Change 72

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(Residential Review), a lot of consultation was undertaken before the plan change was notified, particularly in those areas targeted for residential intensification.

Typically the following process steps are followed:

- Research and investigation phase - assessment of issues and assessment of options, with consultation with key stakeholders. In the early stage this can involve workshops or other techniques such as charrettes to engage the community and to expedite the consultation process and outcomes.
- Refinement of options and methods and agreement to policy from Councillors
- Consultation directly with property owners, business and community groups
- Notification of *draft* plan change (non-statutory process) – use a range of fora – open days, public meetings, public notices in paper, letters to directly affected parties, articles in paper, media releases, interviews with journalists etc
- Notification of Plan Change (statutory process):
 - Summarise submission and make available to the public for further submissions
 - Prepare officer report and hold hearings for all submitters who want to be heard
 - Recommendation to Council made by commissioners (usually a mix of Councillors and independent commissioners)
 - Decision issued by Council
- Appeals – mediation of appeals or if this fails to resolve the appeal there will be a full hearing before the Environment Court. This process can take up to 2-3 (or more) years.

For small plan changes where it is clear who are affected parties (eg a site/s specific plan change) directly affected parties are consulted before notification of the plan change. Then the formal notification/submission/hearing/decision making and appeal processes as described above apply.

Draft plan changes are a useful non-statutory consultation phase which can help businesses and communities understand the implications of the proposed plan change will be and to seek changes before it enters the more formal and potentially more costly statutory process. This discretionary step is however resource intensive and makes the plan change process longer.

Plan change processes also place councils at risk of legal challenge on the merits of the plan change (where it is considered in the Environment Court), or on process/natural justice related issues (the High Court). The increasingly complex process related requirements contained in the RMA and the litigious nature of the Wellington business and residential communities make the Council vulnerable to challenge. Private plan change proponents also risk similar challenges on merit related issues and councils (who must process the private plan change) also face challenges on process related issues.

The Council therefore invests a lot of time in consultation with affected parties and uses a range of fora for consulting and notifying affected parties. For large plan changes affecting a wide number of property

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owners the Council will use the rating base to contact all property owners in the City. Other tools available include extensive use of the council website and regular and targeted web alerts to subscribers, the use of media releases and traditional media for public notices.

13. How can the Plan development process be improved to increase the supply of development capacity?

All plan changes, no matter how small or large, need to be publically notified and follow the same statutory process. Any person can make a submission on a plan change and appeal the first instance (Council) decision to the Environment Court. All hearings before the Environment Court are heard de novo – that is all issues are heard again from the beginning (in a similar manner to the first instance hearing). These processes are complicated and add significant cost, uncertainty, and delays into this process. This means that the plan making process lacks ‘agility’ and it is difficult to respond to changing circumstances, or in this case respond to housing supply and affordability issues.

Appeal processes

Similar to the submission by LGNZ, the Council supports removing the ability to appeal the substantive decision of the Council to the Environment Court. The Council has entered into a Housing Accord with the Government. This enables the Council to apply the provisions of the Housing Accords and Special Housing Areas Act 2013 to qualifying developments in Special Housing Areas. These powers limit third party right appeals to the Environment Court. This legislation is seen as an important tool to given developer certainty for proposed developments and will help encourage more housing development in Wellington City in our identified growth areas that are well serviced with infrastructure. The Council would support this Act being extended (currently no further SHAs can be proposed after 2016 and the rest of the Act is to be repealed in September 2018, or similar provisions be incorporated into the RMA.

Recommendation:

- Remove the ability to appeal the substantive decision of the Council to the Environment Court provided mechanisms/processes are in place to ensure a robust first instance (Council) hearing.

Demand and supply forecasting

14. How accurate are local authority assessments of the demand for and supply of land? How well do they reflect market demands and the actual development capacity of land? Are there any good examples of supply and demand forecasts?

WCC has investigated and commissioned a range of work on land supply and housing demand to guide the development of the (draft) Wellington Urban Growth Plan (previously mentioned).

An assessment of greenfield land capacity in the northern parts of the city includes looking at the land zoned for residential development, as well as identifying other areas which remain zoned rural. This was conducted using GIS. The assessment shows that based on current building and demographic trends, that there is sufficient supply of greenfield land for 20+ years.

More detailed studies have been conducted on specific sites. The sites investigated have been Adelaide Road, Victoria Street, Kent and Cambridge Terraces and Taranaki Street. Small area investigations have been conducted on potential densification areas including Tawa, Karori, Miramar, Berhampore, Newlands, Khandallah, Crofton Downs and Island Bay. All of these investigations have used GIS, other computer modelling for capacity analysis, demographic analysis and trends and the incorporation of District Plan rules and heritage statuses.

To support this land supply information, a consultant report has been produced which includes demographic analysis and a city wide study of housing demand and supply. This has involved looking at trends as well as developer and home buyer attitudes and wants. This information is available on Council's website (<http://wellington.govt.nz/your-council/projects/housing-choice-and-supply>).

Given the importance of this work, the Council will continue to invest resources into better understanding the potential capacity and housing needs in Wellington.

15. How well do zoning decisions in District Plans and infrastructure planning in Long-Term Plans reflect demand and supply forecasts?

The (draft) Wellington Urban Growth Plan (WUGP) has a 30 time horizon, with reviews every 3 years in line with the Long Term Plan review cycle. The 30 year Infrastructure Strategy is also being agreed to by councillors at the same time (June 2015).

Aligning urban development and regeneration projects with infrastructure projects will be achieved through the Council agreeing on a WUGP *Implementation Plan*. The plan will identify priority projects with a detailed funding and implementation programme over the next 3 years, and also over the 10 period of the LTP. The Implementation Plan will include zoning priorities (such as further medium density residential areas) alongside infrastructure decisions to provide for future growth.

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This integrated policy, funding and asset management approach will help ensure we deliver on what we have promised in the WUGP.

Identifying options and trade-offs

16. How effective are local authorities in ensuring that the rules and regulations governing land use are necessary and proportionate?

17. What are the characteristics of the most effective processes for testing proposed rules, Plans or Plan changes?

Regulatory tests

Section 32 of the RMA is an important test that must be applied to all plan changes. It requires local authorities (and private plan change applicants) to undertake an evaluation of whether the proposed change to an RMA plan will:

- achieve the purpose of the Act;
- be efficient and effective; and
- be able to assess the benefits and costs of the environmental, economic, social, and cultural effects.

Lastly, an evaluation is required on the economic impacts and employment opportunities which would result from the plan change.

Section 85 of the RMA also states that councils must compensate landowners where a rule in a District Plan (proposed plan change) will “*render that interest in land incapable of reasonable use.*” This test prevents ‘over regulation of land’ and requires the council to either buy the land in question or look at alternative ways to achieve certain outcomes.

These legislative requirements ensure a rigorous assessment of the whether rules are necessary and appropriate.

Submission, hearing and decision making processes

A rigorously run submission and hearings process provides a good forum within which Plans and Plan Changes can be tested. This process needs RMA experts who are experienced in working with the RMA. Where the plan change involves technical issues, specialists can be brought in as part of the hearings panel.

All hearing commissioners (for plan making and resource consents) are now required to be accredited RMA commissioners. This is achieved through completing the *Making Good Decisions* programme.

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Accreditation has now been in place since 2006, and the quality of decision making has improved significantly. Many councils choose to use a mixture of independent and elected members to make up a hearings panel.

Integration between planning frameworks

18. How effective are local authority processes for connecting decisions across the different planning frameworks? Which particular processes have been successful? What explains their success?

19. What impact does transport planning have on the supply of development capacity?

Transport is a key enabler of residential development. WCC is continuing consultation on its Wellington Urban Growth Plan which is a strategy to combine and replace the existing Transport and Urban Development strategies (both 2006). In combining these strategies, the Council aims to integrate the city's growth with transport improvements.

As with other infrastructure requirements, a new greenfield area must be suitably connected before it will become successfully developed for residential purposes and be attractive place for future residents to live. As new areas are developed, GWRC provides bus services to these areas. This planning is undertaken before new suburbs are developed.

GWRC have recently reviewed their bus routes and fares. WCC was closely involved in these review processes as GWRC is reliant on WCC providing and maintaining roads, providing on-street carparking, traffic management and other transport related infrastructure. Providing integrated services across both local governments is important to maintaining an effective roading and transportation network.

Having a walkable city, with an enhanced cycle and public transport network allows people to live in the city without needing to own a car. Wellington City has the highest public transport usage in Australasia by a significant margin. This is expected to increase over time. Public transport is an enabler of higher density urban living as it allows people to get around the city in a relatively cheap and convenient manner without then need to own a car and have carparking associated with developments. Areas that are close to public transport are therefore becoming increasingly attractive places for people to live. This is one of the main reasons for re-zoning areas around key suburb centres for medium density development.

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Consistency within planning frameworks

20. Are there examples of effective integration between regional policies and district plans, and what are the features of processes that lead to effective integration?

Greater Wellington Regional Council (GWRC) has an important role in approving mass earthworks associated with providing 'shovel ready' greenfield land for housing. Consents are also required for modifications to stream systems', including ephemeral streams.

Lincolnshire-Woodridge and Lower Stebbings are zoned in the District Plan as future growth areas. This zoning decisions followed extensive public consultation exercises involving all key stakeholders, including GWRC. These areas have also been identified in the first tranche of special housing areas under the HASHA Act.

The Council has lodged a submission on GWRCs draft regional Natural Resources Plan. At this stage little recognition has been given to the significance of allowing development to occur in these growth areas. We will be working with them to try and change their current approach.

The Council is working with GWRC to more closely align the City Council's development objectives in these identified growth areas/SHAs with GWRCs more habitat/ecologically focussed approach. An MOU is currently being developed which will set out processes to proactively work with developers and will include a one-stop-shop consenting process between GWRC, WCC and Wellington Water Limited (WWL). WWL is a Council Controlled Organisation jointly owned by Porirua, Hutt City and Upper City Councils, GWRC and WCC. It is responsible for managing the Councils' 3 waters assets. This is discussed in more detail under questions 44-47.

3.6 Rules

Implementation and effects on land use

21. Do rules or Plan requirements in your area unnecessarily restrict the use of land for housing? Why are these requirements unnecessary? What are the impacts of these rules and requirements?

The District Plan does not unnecessarily control the use of land for housing. As outlined above, there are a range of opportunities within the city for low, medium and high density residential development, and as a consequence there are many years supply of greenfield and brownfield land for housing.

The rolling review of the District Plan has brought in a number of necessary changes to address inappropriate development in parts of the city. Additional controls have been applied to:

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- improve the quality of infill development in the Residential (Outer) Areas (the general residential zone)
- protecting inner city character areas (Mt Victoria, Thorndon, Mt Cook, Aro Valley, and Newtown)
- heritage buildings and heritage areas (Cuba, and Courtney Place etc); and
- significant landscape areas.

Wellington District Plan also includes a number of design guides. These include a residential design guide and a subdivision design guide, as well as zone specific design guides. These documents are well supported by the Council and the community in delivering the outcomes desired.

22. How important is it that rules for development and land use provide certainty?

The Council is mindful of the costs and benefits of providing clear and timely advice to property developers. This can allow developers to lower their risk going into a housing development process and lead to some historically uneconomical 'marginal' developments proceeding.

Feedback provided by developers on the medium density residential areas is that they have more confidence that medium density housing will be approved provided it is well designed. SHAs created under the HASHA Act also provide developers with higher levels of certainty and we are seeing evidence that developers are proposing to take advantage of the process benefits provided by this Act.

The Council also appreciates the importance of having efficient consenting processes and having an 'open for business' approach to our customers.

23. Are rules consistently applied in your area? Is certainty of implementation more important than flexibility?

The Council tries to apply rules consistently to provide development certainty for applicants and ensure high quality development. The District Plan relies on design guides to provide guidance to developers and decision makers on the appropriate design and scale of development. Notwithstanding this, planning and urban design assessments do involve discretionary assessments which some developers may consider leads to inconsistent decision making. The Council uses pre-application processes (as outlined under questions 28 and 29) to assess developments and provide as much guidance as possible upfront before resource consents are lodged.

As stated below under question 72, SHAs and HASHA Act provisions provide the Council with more flexibility in the way it applies the District Plan provisions. This flexibility and reduced third party rights will provide greater process and investment certainty for developers, and we expect the market will respond in these areas with higher level of residential development. The biggest issues for many developers, particularly those that want to undertake large scale subdivision/housing developments, are

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the upfront costs of infrastructure and whether producing more houses will swamp the market and drop the price they get for houses. Unsold allotments/houses also increase developer holding costs. As stated earlier, some developers control certain sectors of the residential housing market thereby constraining supply whilst enabling them to maintain high house prices.

24. Which local authorities have the best approach to implementing land use rules or Plan requirements? What makes their approaches the best?

The Council will make no comment on this.

25. Do second-generation Plans take a more flexible or enabling approach to land use control?

The Council has been undertaking a 'rolling review' of the District Plan since it was made operative in 2000. This has involved 78 plan changes ranging from full chapter reviews to site specific plan changes and changes required as a result of legislative changes and new national standards. The main chapters have been reviewed including the central city, suburban centres and residential areas. This includes reviews of subdivision and earthwork provisions. This has meant that the District Plan has been kept up to date and has been a leader in the country on its approach to design guides, carparking, suburban centre and retail planning, and provision for mixed use development.

As of November 2014, the Wellington District Plan is effectively operative, for the first time since 2000. The District Plan is due for a full review to address the issues outlined under question 9 above.

It was a political decision to opt for a rolling review, and in light of proposed RMA reforms which the Council supports, there is no intention of conducting a full review. The initial plan cost approximately \$6 million to make operative and a full review would cost at least \$3 million, and then be required to be redone following reform.

As discussed earlier, the District Plan has over time, become larger and more complicated. However, many changes have made development in Wellington more flexible overall. Recent plan changes to the residential chapter include adding medium density areas around two centres. The Council believes that an evolving plan will respond better to the land use requirements of the city, as well as the wishes of the local community, land owners and developers.

Design guidelines

26. What effect do design guidelines have on the availability of effective land for housing? Are the processes by which land use can depart from a design guideline transparent and applied consistently?

The following comments should be read in conjunction with the statements under question 23.

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The District Plan contains design guides for most areas of the city. With respect to residential development, the most relevant design guides include the Subdivision Design Guide, the Residential Design Guide, the Centres (suburban centres) Design Guide and the Central Area Design Guide.

The *Subdivision Design Guide* (SDG) is the most relevant design guide with regards to housing land availability. It covers guidance on:

- the location of activities (distribution, intensity, mix of uses) to ensure convenient access to local services and facilities;
- the provision of good access to, from and within an area, supporting a choice of transport modes;
- the retention of the distinctive natural character of the landscape including general contours and prominent landforms, areas of native bush, wetlands, streams and their margins;
- the design of public spaces to be attractive and safe; and
- the design of individual lots to create acceptable amenity on each lot and for neighbouring properties (the SDG does not however contain minimum lot dimensions).

The main aspect of the SDG which affects land availability is the chapter on 'Landform and natural features' which recommends against development on coastal escarpments, open ridgelines and skylines, and generally on sites steeper than 30 degrees, and which seeks to maintain natural features to provide for the long-term sustainability of identified valued eco-systems and habitats. In practice, this chapter is balanced against the need to provide housing in proximity to existing urban areas, transport networks and other infrastructure.

The *Residential, Centres and Central Area Design Guides* do indirectly affect residential densities (and therefore, land supply) through requirements for private open space, natural light, privacy and sun exposure to open spaces and living rooms. These requirements vary between the Central Area where higher density housing typologies (e.g. apartments) are expected and suburban areas where a mix of low and medium density typologies are expected. These requirements are essential to ensuring residential units have minimum levels of amenity.

The Council uses in-house staff and external consultants to assess proposed developments against our Design Guides. This ensures consistency and continuity in the way the guidelines are applied. Small departures from the guidelines are generally supported as long as the overall quality of the development and amenity for future residents is not compromised. We expect developments to be in general accord with the broad principles of the Design Guides.

The Design Guides are to ensure high quality residential developments that protect the amenity of both future occupiers and neighbouring landowners. The design guides clearly play an important role in managing the scale and intensity of residential development in a way that is compatible for the character and amenity of existing and future residential areas.

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Consistency across jurisdictions

27. *How many developers work in more than one local authority? Do variations in planning rules between councils complicate, delay or add unnecessary cost to the process of developing land for housing?*

This question is more appropriately answered by the development community.

3.7 Approval Processes

Pre-application information and guidance

28. *Which local authority pre-application advice and information services are the most effective for communicating expectations and reducing unnecessary cost for applicants? What makes them effective?*

29. *Which processes are most important to applicants for providing consistent and efficient assessments of resource consent applications?*

The graph below shows the number of pre-application meetings that have been applied for since 2007.

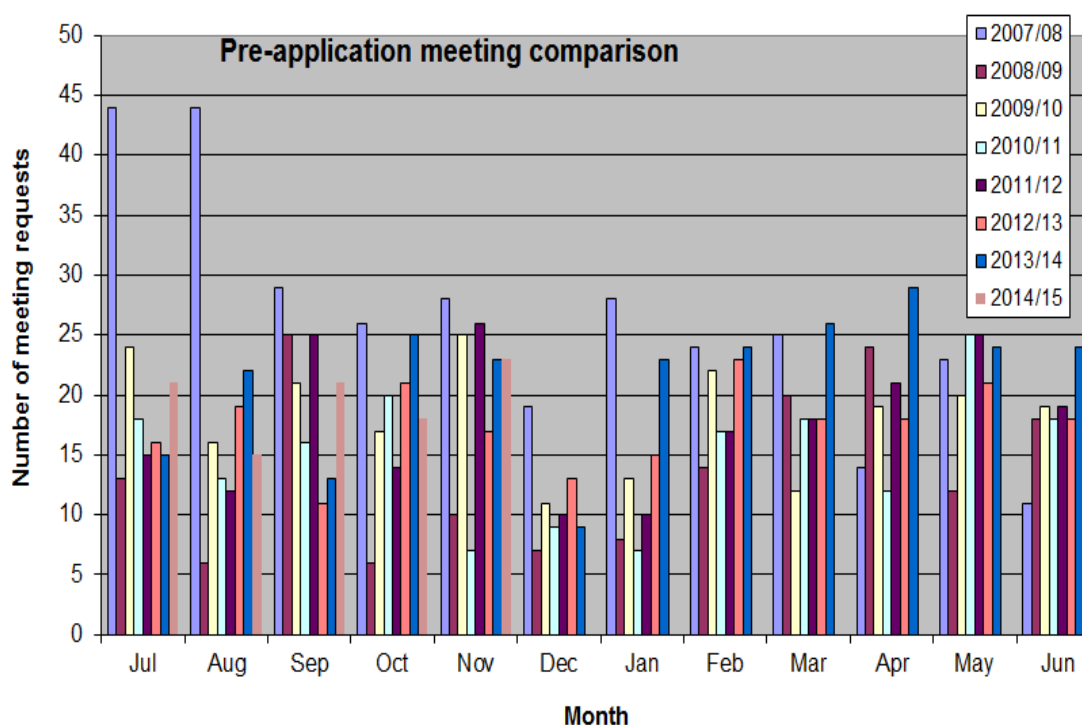


Table 1

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The Council strongly encourages pre-application meetings for more complicated resource consent applications, such as a large subdivision or multi-unit developments. This enables constructive feedback to be given to the developer prior to making an application, and to ensure that when the application is received it can be processed and approved without undue delays. It also gives the planners, roading engineers and urban designers etc, an opportunity to better understand the proposal and what the developer is trying to achieve. This process also helps establish a more constructive working relationship between the parties.

Resource consent processing fees

The table below summarises the costs of lodging a resource consent application, which is an initial deposit. Fees can be refunded or more fees charged depending on the length of time it takes to process the application. In 2012/13 the median cost of processing non-notified applications was \$1500. From July to October 2014, 38% of application fees were partly refunded, 50% were required to pay additional fees, and the remaining applications fees were covered by the deposit.

| Council fees for processing resource consents | |
|---|----------|
| Pre-application meetings: planner / advisor / compliance officer - per hour / per officer | \$150 |
| Non-notified consent: subdivision and/or land use | \$1,500 |
| Limited notified consent: subdivision and/or land use | \$8,000 |
| Fully notified consent: subdivision and/or land use | \$15,000 |

Assessment timeframes and requests for further information

- 30. Have resource consent processing times resulted in unnecessary delays in the development of land for housing? If so, do you anticipate that the recent changes to processing timeframes will address delays?*
- 31. What explains the variation between jurisdictions regarding requests for additional information and use of stop-the-clock provisions when assessing resource consent applications?*
- 32. Which local authorities make the best use of pre-hearing meetings? What factors best contribute to successful pre-hearing meetings?*

The Council has a very good track record for processing consents within the statutory timeframes - 100% since 2010/11. Delays in issuing resource consents can often be attributed to incomplete applications lodged by applicants. For example, one application for a new dwelling took 344 days from the time the application was submitted to the Council and until it was approved. It only took 19 working days³ for Council to issue the decision. The rest of the time that application was 'on suspend' with the Council waiting for further information from the applicant.

The most recent changes to the RMA came into effect in 2009. The changes related mainly to compliance cost issues and were an attempt to speed up resource consent approvals. These changes have had little effect and are an example to adding more process and complexity into the RMA. For instance, local authorities get one statutory opportunity to 'suspend' an application with any further 'suspends' being with the agreement of the applicant. The Council has many examples where the applicant has voluntarily suspended their application in order to work with the Council to receive an approval. Because of this collaboration, the Council rarely declines applications.

Notifications

- 33. What are the impacts of notification on the supply of development capacity? How could the processes surrounding notification be improved?*

On average the Council processes between 750-850 resource consents per annum. See table below:

³ 20 working days is the statutory time period within which all non-notified applications must be processed.

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| Year | Non-notified | Notified |
|---------|--|---|
| 2012/13 | 765 | 3 limited notified, 2 fully notified, none declined |
| 2013/14 | 779 – 530 building and allotments (houses) | 15 – 9 limited notified, 6 fully notified – 2 declined by commissioners (Harcourts and billboard) |

Since 2010 the number of notified applications that Wellington City Council has processed and determined is as follows:

- Fully notified = 8
- Limited notified = 31

The table below shows the percentage of notified applications over an almost 15 year period:

| 2005/06 | 2007/08 | 2010/11 | 2012/13 |
|---------|---------|---------|---------|
| 1.17% | 0.57% | 0.35% | 0.65% |

These numbers are low because of:

- the use of pre-application meetings to advise on the acceptability of the development and non-notification/notification issues
- the high cost of notified resource consent processes (Council consent processing fees, employing specialists in various fields, and legal fees)
- the greater uncertainty of approval and/or the costs of meeting resource consent conditions to mitigate or off-set adverse environmental effects
- the risk of appeals to the Environment Court by a third party.

The Council rarely notifies large greenfield subdivisions. This is because these areas have long been identified for development and zoned accordingly, resulting in the District Plan anticipating such activity in these areas.

For Wellington, the key benefit of HASHA Act is in the established urban areas where infill housing and some comprehensive residential development occurs. The more streamlined approach to the processing of applications with limited third party rights provides applicants with more certainty that proposed development will be approved. It also allows provides the Council with an appropriate level of control to ensure high quality development whilst providing greater opportunities to increase affordable housing numbers.

Pre-hearing meetings

34. What explains the reduction in the prevalence of pre-hearing meetings?

The Council holds pre-hearing meetings where there are opportunities to narrow the issues in dispute. In most cases it is not possible to do this for various reasons.

Decision makers

35. Does the type of person making the decision on resource consent applications affect the fairness, efficiency or quality of the outcome? What difference (if any) does it make?

In relation to non-notification decisions made by officers, resource consents are allocated in terms of people's technical skills and workload. The Council uses a peer review and all decisions are signed off by two planners.

When resource consents are limited or fully notified the Council will use councillors or independent commissioners or a combination of the two. Commissioners are chosen based on their experience, skills and whether they are accredited commissioners. As there are only 2 accredited councillors, most applications are now considered by independent commissioners.

The answer under questions 16 and 17 relating to 'Submission, hearing and decision making processes' should also be referred to.

36. Does the use of external experts (for example as independent commissioners or contracted staff) in making resource consent decisions create conflicts of interest? If so, how are these conflicts managed?

The Council deals with planning professionals who will voluntarily advise if they have a conflict of interest. This is because it is in their best interests to maintain their professional integrity whether they are a local authority planner or private sector consultant or technical expert.

The Council requests staff (both permanent employees and contractors) to advise if they have a conflict of interest with any application they have been allocated.

In the event that a potential conflict of interest is raised, this is discussed at management level to decide on the course of action. This could involve removing the person from processing or determining the resource consent application. In extreme cases of unprofessional behaviour, planners (and other professionals) can be referred to the New Zealand Planning Institute (or their parent body) for disciplinary action.

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Conditions

37. What processes do local authorities use for ensuring that consent conditions are fair and reasonable? How successful are local authorities in meeting the “fair and reasonable” test?

The Council has a suite of standard conditions that officers use when imposing conditions on consents. It is also standard practice for officers to send a draft set of conditions to applicants prior to issuing the decision.

In the last financial year the Council had 7 objections to conditions out of the 779 non-notified consents we processed. This is a reasonable measure of Council meeting the ‘fair and reasonable’ test.

38. In your experience, what impact do conditions on resource consents have on the viability of development projects?

As noted above, the Council ensures that a draft set of conditions is sent to the applicant prior to issuing the consent. This ‘no surprises’ approach provides the applicant with an opportunity to review and potentially alter conditions. The Council would be alerted at this stage whether the conditions are likely to result in the development not proceeding. With limited or notified applications there are opportunities through the hearing, decision (and appeal) stages to review and comment on conditions of consent.

In limited circumstances the Council may use bonds or cash deposits to ensure important mitigation works are undertaken as part of the development.

Coordination within council

39. Which local authorities have been most successful in providing coordinated decisions over applications to use land for housing? What explains their success?

As stated under question 20, the Council is working collaboratively with Greater Wellington to help implement the Housing Accord.

Challenging and changing decisions

40. Are there issues relating to the process for challenging or changing decisions which impede the supply of effective land for housing?

As stated under questions 37 (review of conditions and objections on non-notified applications) and 38 (review and appeal processes on notified applications), there are processes in place to allow a draft decision and decisions to be challenged if the applicant considers them to be inappropriate. The pre-application processes described under questions 28 and 29 above highlight how the Council tries to

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resolve issues upfront before resource consent applications are lodged and applicants are 'locked' into expensive re-design and resource consent application amendments.

Plan changes

- 41. Compared to other processes of relevance to land release and development, how important is the ability to obtain a Plan change or variation? Why?*
- 42. How easy is it to obtain a Plan change or variation in your area? What are the major barriers?*
- 43. Do council-led Plan changes or variations help or hinder the supply of development capacity?*

Plan change processes

'Land for housing' plan changes are often very important for developers as it gives them investment certainty that the land can be developed for housing. This certainty is provided through zoning, policies and rules in the District Plan which set the framework within which development can occur. It also helps set the policy framework that will guide the councils funding and asset management decisions on infrastructure.

Where structure plans are incorporated into District Plans (eg the Lincolnshire Structure Plan in the Wellington City District Plan (<http://wellington.govt.nz/your-council/plans-policies-and-bylaws/district-plan/volume-1-objectives-policies-and-rules>)), they can provide the framework for staged development of infrastructure and land, the layout of roads, the density of housing, and where and how reserves are to be provided etc.

Plan changes involving the urbanisation of rural land for housing are always likely to be controversial, requiring a high level of environmental and infrastructure related information and design work. Plan changes involving re-zoning of brownfield land (eg from low density to medium/high density residential) are often more controversial as communities fear changes will result in a loss of property values, a loss of residential amenity and low quality infill development. These plan changes can act as an incentive for developers to invest in these areas, resulting in higher quality, modern housing. Plan change processes enable the community to be involved in these processes.

A lot of the issues relating to land for housing should however already have been canvassed with affected communities. The Council is actively involved with communities on these issues through strategic planning exercises such as the Wellington Urban Growth Plan and other planning frameworks as discussed in (see answers to questions 11 and 12). Giving greater legislative recognition to spatial

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plans and reducing appeal rights as part of the plan change process will help free up more land for housing with the necessary infrastructure to enable houses to be built.

The Council has been actively involved in making plan changes to the District Plan since it was made operative. Since 2000 (when it was made operative) the Council has initiated public plan changes to manage growth in the City. Wellington City does not have large numbers of property owners wanting to undertake private plan changes in the City. This is partly due to Council's proactive approach to notifying growth related plan changes as part of the rolling review of the District Plan and partly due to the greenfield areas being largely controlled by two families which Council has worked closely with to ensure the necessary planning and zoning frameworks are in place to enable housing development on their land.

3.8 Infrastructure for housing

44. What is your experience working with the infrastructure component of the land supply system?

45. Are there particular aspects of the system, or particular types of infrastructure, that are problematic?

46. What are the opportunities to improve this part of the land supply system?

47. Is there sufficient alignment of incentives for the various organisations involved in the provision of infrastructure to support housing? If not, what could be done to improve alignment?

Most of the greenfield areas in the northern parts of the city are owned by two landowners. These developers collectively only release 100-150 land and land and housing packages onto the market each year.

The Council has legally binding private agreements with the developers to provide growth related infrastructure (roading, 3 waters, reserves), which is equivalent to paying development contributions. This approach allows for the strategic provision of trunk infrastructure which then allows development to proceed in an orderly and efficient manner. The agreements are flexible enough to allow infrastructure to be provided upfront by the developer – either built and paid for by the developer, or the Council builds it and is reimbursed by the developer.

The downside of this approach can be that the significant upfront developments costs can sometimes mean that higher whole-of-life and 'fragmented' infrastructure is provided instead of integrated and lower whole-of-life (but often more expensive) infrastructure (eg reservoirs). This is inefficient and

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increases servicing and maintenance costs in the medium to long term. A faster roll-out of housing and sales could support larger, higher capacity infrastructure.

Where Council is required to upgrade existing infrastructure this is paid for by the Council (ratepayers). In other areas of the city new allotments/houses created are paid through development contributions (DCs).

48. Are there differences in the approaches taken between council controlled and private infrastructure organisations (eg, electricity lines companies)? What is the nature of these differences? What explains the differences?

49. What comparative information about the provision of infrastructure to support housing should the Commission be aware of?

Council controlled organisations (CCOs) are single purpose organisations at 'arms-length' to the day to day operations of the Council. They have a chief executive who reports to a Board. The CCO is expected to use private sector disciplines within a wider public good environment.

The Council has the following CCOs:

- Wellington Water Limited (WWL) - it is a CCO jointly owned by Wellington, Porirua, Lower and Upper Hutt and Greater Wellington Regional Councils'
- Positively Wellington Venues
- Positively Wellington Tourism
- Wellington Cable Car Ltd
- Until this year, Wellington Waterfront Ltd was a Wellington City Council owned CCO responsible for development of the Wellington waterfront (this is discussed in more detail below).

WWL is the CCO responsible for managing the 3 waters assets of the Councils. The assets and liabilities have been retained with the Councils. The key governance mechanism is the *Statement of Intent* which is approved by the Councils and implemented by WWL. It enables the Councils to manage the CCOs performance and investments. WWL is able to provide a more integrated and efficient management of the Councils 3 water assets than was possible when all Councils operated independently.

WWL is however a 'management entity' only. Investment or pricing decisions remain under the direct control of each Council (unlike Watercare in Auckland). With time, it should be able to guide better integration in investment between Councils within the region; however it is too early to see if this will be effective.

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Wellington Waterfront Limited was set up in 1987 to develop 20 hectares of the waterfront consistent with the Wellington Waterfront Framework (a planning framework). It had a property management and property development function, which included public realm improvements and the construction of new public and private sector buildings. This was achieved in a very politically sensitive area of the City. There is now less need for a waterfront land development agency as most of the Wellington Waterfront Framework has been implemented. Staff have transitioned back into Wellington City Council and are part of a new business unit called City Shapers. The Business Unit now operates across the City with a focus on place shaping, project management, and urban design.

The Council is currently considering a land development agency to help deliver on the growth initiatives contained in the soon to be released LTP. This could include a role in land and housing development.

Local authorities and infrastructure for housing

50. Is there evidence that territorial authority debt levels are acting a barrier to the provision of infrastructure for housing in rapidly growing areas?

Since 2008 Wellington has experienced lower than expected growth in the population, partly as a result of the Global Financial Crisis and a drop in investment and migration. This situation is now turning around with business confidence high and growth in the resident population jumping from 0.7% to 1.3% in 2013. The population growth is driven mainly by immigration from people with high skills and looking for a higher quality of life.

The Council intends to invest in a range of economic growth initiatives. This includes investment in:

- Council's '8 big ideas' (<http://wellington.govt.nz/your-council/news/2014/01/eight-big-ideas>),
- roads associated with Lincolnshire Farms and the proposed Petone to Grenada link road (RONS project)
- urban regeneration projects associated with Victoria/Cuba St and Te Aro (Kent/Cambridge).

These initiatives will catalyse private sector investment in employment generating businesses which will grow our rate payer base and help pay back the Council's investment in these projects. In turn this will generate demand for all forms of housing across the city. This approach is based on the understanding that our current infrastructure is well maintained and has capacity for expected population growth in the City.

This approach will also grow tax revenues for the government and other government user charges imposed by government (eg petrol tax revenues) and therefore benefit the whole economy. The Council will be consulting with the community on the draft Long Term Plan over the next few months.

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The Council is aware that other councils are in a weaker financial position than Wellington City Council and may not be able to fund the infrastructure needed to provide for future housing.

Infrastructure charges

51. How variable are the practices and processes around infrastructure charges across different jurisdictions? Does variability complicate, delay, or add unnecessary cost to the process of developing land for housing?

52. Are there particular examples of good practice regarding infrastructure charges?

Infrastructure charges vary across the city, throughout the region and across the country. This is because charges relate to the costs of providing infrastructure which vary based on the amount of growth happening in a locality or district, the age and capacity of the existing infrastructure, and topographical and geotechnical costs of providing infrastructure.

New growth related infrastructure

In Wellington growth related infrastructure charges are currently paid for through development contributions (DCs) For new houses DC charges range from \$3.5k to \$7k in the established urban areas, and up to \$9k in the newer greenfield areas where the costs of providing infrastructure are higher. Some identified growth areas such as Adelaide Road and Johnsonville have slightly higher DC charges to fund additional infrastructure to provide for population growth anticipated in these areas.

DCs charged on commercial developments represent approximately 1 percent of the costs of commercial development. Commercial developers have informed council officers that DCs do not drive business case decisions about whether to proceed with development. Commercial developers do however see the payment of DCs as unjustified and that Councils are double dipping – by charging rates and charging DCs, or that the Council is 'gold plating' infrastructure provision and charging unreasonably high DCs. Some developers see DCs as unfair as new building brings economic development to the city and this should be recognised by charging less/no DCs. The Council (and potentially the ratepayer) also benefits from increased rates revenue.

DC charges in Wellington are relatively low compared with other parts of the country, particularly the high growth areas in the northern part of the country.

Service Connections

The Council charges service connection fees for developers needing to connect their building to the city's infrastructure network. The fee schedule ranges from \$ 61.50 for residential development, and \$205 for commercial and industrial developments. (<http://wellington.govt.nz/services/environment-and-waste/water/apply-for-a-water-connection>)

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Existing infrastructure

Rates comprise general rates and targeted rates. General rates pay for facilities and services used by all people in the city and includes all infrastructure provided by the Council. It pays for infrastructure maintenance, upgrade and renewal programmes.

53. Are there particular types of development (eg, greenfields, infill etc) that are less costly to service with infrastructure? What evidence can you provide about any variation in infrastructure costs?

54. Do development contribution policies incentivise efficient decisions about land use, or do they unduly restrict the supply of land for housing?

Infill vs greenfield development

As outlined under questions 51 and 52, there is a differential between DC charging in greenfield and brownfield areas of the City. This reflects the higher costs of infrastructure in greenfield areas.

Incentivising efficient decisions

As stated under questions 44-47 the forward provision of infrastructure paid for through DCs enable efficient provision of infrastructure particularly where it is developed consistent with a structure plan or masterplan will lead to more efficient investment decisions by infrastructure providers and housing developers.

55. Are development contributions used exclusively to drive efficient decisions about land use, or are they used to promote broader goals?

The Wellington DC Policy is a financing tool designed only to collect monies to pay for the growth related costs of providing infrastructure. In other words, there are no other broader goals (such as incentivising certain development through lower DC charges) that Council is trying to achieve.

Amendments made this year to the Wellington City DC Policy now give specific recognition to 5 star green rated buildings, with a 50% reduction in DCs for mixed use developments. This recognises that green buildings involving the collection and re-use of rainwater, provision for cycling etc on average have a lower demand on Council roading and infrastructure than non-green buildings.

56. How effective have the recent changes to development contributions been that were introduced in the Local Government Act 2002 Amendment Act 2014?

Recent legislative changes which restrict what the Council can charge DCs for, lower than expected revenue from DCs, and the generally negative perception of DC charging has encouraged the Council

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to again review its DC Policy. This review will consider whether to continue charging DCs, suspend the policy or use other mechanisms to help pay for the costs of providing growth related infrastructure. This includes assessing whether having no DCs will encourage further economic development in the City.

57. What is the likely effect of long-term infrastructure strategies on the availability of land for housing?

Asset management plans and LTP funding identify Council's investment in new and existing Council infrastructure for the next 10 years. This will be supported by a 30 year Infrastructure Strategy which will be approved as part of the Long Term Plan in June 2015.

The Wellington Urban Growth Plan is a spatial plan for Wellington City. It aligns future growth areas with the provision of urban infrastructure. This is a blueprint for development over the next 30 years, which provides investment certainty to Government (HNZC, NZTA), network utility providers (Wellington Electricity Ltd, Wellington Water Ltd (CCO)), developers and the community.

Sitting 'under' the WUGP are other planning frameworks which guide development in key areas of the City. For instance, the Lincolnshire Structure Plan (as described under questions 1-3) and Adelaide Road Framework (a brownfields masterplan) provide the development framework within which network utility providers (water, wastewater, stormwater, gas, electricity, telecommunications, roading etc) can support housing (and business) development. This strategic planning enables all infrastructure providers to investment in their network to meet future demands.

Infrastructure planning consistent with growth management planning needs to take a long term view. Land needs to be identified and set aside for roads and infrastructure before development occurs. However, the designation provisions in the RMA allow only 5 year terms for designations. In specific cases extensions can be given.

Recommendation

- Enact changes to the Public Works Act and RMA to allow longer term designations be provided for strategic infrastructure (3 waters, roading, etc) than the current 5 years.

Alternative approaches to funding infrastructure

58. Do councils in high-growth areas require a greater range of approaches for funding infrastructure?

59. What alternative approaches for funding infrastructure should be considered in New Zealand's high-growth areas?

There is a local government funding review currently underway which is likely to have important recommendations on the appropriate mix of funding tools that should be available to local government.

Council would support a broader range of funding tools being available to enable the effective and efficient delivery of infrastructure and housing. Overseas jurisdictions use a range of funding tools, some of which are listed below.

- Earn back schemes – when Councils investment in economic growth initiatives, such as those proposed by the Council in the soon to be released LTP, will not only increase our rating base but generate increased taxes for central government. An 'earn-back' scheme would direct some of the taxes collected in that area specifically to the local government.
- Tax Increment Financing – this funding tool is used in parts of the United States to promote urban regeneration in rundown inner city areas. The scheme involves a local authority or regeneration agency paying for new infrastructure upfront (eg roading, public spaces, public transport etc). As property values increase, the rates collected in this area will increase and go towards paying off the infrastructure costs.
- Local consumption (eg GST) tax charges – similar to 2 above, a consumption tax could be charged on all sales in areas where the Council or a regeneration agency has paid for the upfront costs of essential infrastructure.
- Petrol Tax levies – this would allow councils to levy additional petrol taxes to pay for roads and public transport.

Central government is a significant landowner in the City but pays no rates. This places a burden on local ratepayers which should be met by the taxpayer. Being required to pay rates may encourage central government to more efficiently use these land and housing assets. This is particularly true where large tracks of land could be more effectively used for housing – for example, over 56 hectares of land in Tawa is for Arohata Prison with most of it in pines and not required for prison purposes.

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Recommendation:

- Develop alternative funding tools to provide for the upfront costs of buying and developing land and strategic infrastructure for the purposes of facilitating economic growth and the development of affordable housing.

Council Controlled Organisations

60. What are the main advantages and disadvantages of having infrastructure vested in Council Controlled Organisations? And

61. Does the use of Council Controlled Organisations create challenges with respect to integrated provision of infrastructure to support housing?

These questions have been answered under questions 48 and 49.

National infrastructure

62. Has the National Infrastructure Plan helped promote coordination of infrastructure investment? Is there sufficient integration between central and local government infrastructure planning?

One of the objectives of the National Infrastructure Plan (NIP) is to ensure the state highway network links to every port (both sea and air).

The Ngauranga to Wellington Airport Corridor Plan was developed by Transit NZ (now the NZ Transport Agency), WCC and GWRC. It was adopted formally by the Regional Transport Committee in October 2008, and is now part of the Regional Land Transport Programme. The Plan recognises the economic, social and environmental significance of this roading network to the city and region. It proposes a range of initiatives to ensure the efficient movement of all forms of transport (private vehicles, public transport, bicycles and walking) along this part of the roading network.

This strategic study is recognised in the NIP through the Roads of National Significance (RONS) fund. For Wellington this includes proposals to ease congestion around the Basin Reserve and Mt Victoria Tunnels and out to the Airport. An additional proposal, originally part of the Western Corridor Plan, to construct a Petone to Grenada road link is now under active consideration offering resiliency and transformational land use opportunities through the Lincolnshire Structure Plan area. These works and their funding are part of a wider regional focus improving the transport from Levin to the Airport. RONS projects currently planned or underway extend from Raumati to Levin. These projects are shown on this link: <http://www.nzta.govt.nz/projects/mackays-to-peka-peka>. A key project is Transmission Gully (from

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Linden, Tawa to Paekakariki) as it will ease congestion along the SH1 coastal route whilst providing an alternative route in the event of a natural disaster.

The (draft) Wellington Urban Growth Plan (formerly the Transport and Urban Development Strategies) aligns with the Ngauranga to Wellington Airport Corridor Plan and the NIP. The WUGP is based on a compact city philosophy, with a growth spine (from Johnsonville to the Airport) providing for intensification of living and employment. The 'growth spine' is a series of employment nodes (Johnsonville, Central Area, Adelaide Road, Kilbirnie and airport) linked by key public transport infrastructure and roading.

National growth management

Other than transport related projects and initiatives contained in the NIP, there is currently little national direction provided by government on growth management and housing affordability issues. The supply of housing with supporting strategic infrastructure, and the provision of affordable housing are national issues which span local authority boundaries. However the current institutional and legislative approaches to affordable housing are not fit-for-purpose - it is uncoordinated, lacks a national framework, and largely relies on local government and the private sector to deliver land and housing.

This submission proposes the development of a *national growth management framework* to address housing supply and affordable issues, to integrate central and local government approaches to land supply, 3 waters infrastructure provision and housing supply and affordability. Roading and public transport have not been included as there is already a national hypothecated fund targeted specifically at land transport and managed through NZ Transport Agency. Public Private Partnerships and other forms of delivery leveraging better outcomes are already common place and every decision goes through a business case and a benefit/cost analysis.

Recommendation:

A central government agency be responsible for delivering policy and funding relating to:

- a national growth management strategy which merges/aligns with the National Infrastructure Plan
- a contestable national fund to enable public/private partnerships and/or local and central government delivery of strategic infrastructure (3 waters (wastewater, water and stormwater)) and affordable housing.

3.9 Other factors influencing the supply of development capacity

Heritage protection

63. What impact does heritage protection have on the supply and development of land for housing?

Wellingtonians value heritage buildings and the unique character of the City's older inner city suburbs. This is reflected in the high number of heritage buildings included on the District Plan heritage list (550), and 20 heritage areas mainly concentrated in the central city and inner residential suburbs. There are also controls in the inner residential character suburbs which prevent the demolition of pre-1930s dwellings without an approved development. These controls are to retain streetscape character.

Many of the heritage buildings are also earthquake prone and will need to be seismically strengthened over time. The Council is working collaboratively with these building owners and is providing financial support in the form of rates remissions and funding assistance for strengthening the buildings. Whilst there is a relatively high level of control on maintaining the heritage values of the building exteriors, the Council actively supports the adaptation of buildings for re-use and conversion of commercial office blocks to residential apartments. These heritage and character buildings can therefore add to the existing housing stock.

The main impact that identifying and managing heritage buildings can have on land supply is that WCC discourages the demolition of listed buildings. This means there is an opportunity cost for keeping the building as opposed to constructing a taller building that maximises the development potential of the site.

These controls do not generally apply to the growth areas identified in the District Plan (the Lincolnshire and Lower Stebbings greenfield land areas, Adelaide Road and the Johnsonville and Kilbirnie medium density residential areas).

However, the retention of these houses may be less efficient from a housing supply perspective than larger residential blocks or townhouses.

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Māori land

- 64. Are there good examples of local authorities, in areas where there is a housing shortage, working well with landowners who want to build housing for whānau on Māori land?*
- 65. To what extent are Plan change requirements, consultation requirements, or the need for infrastructure, barriers to Māori aspirations for building housing for whānau on Māori land?*

Taranaki Whānui ki Te Upoko o Te Ika (Taranaki Whanui) and Ngati Toa Iwi jointly have manawhenua status in Wellington City. The Council has a close working relationship with both Iwi, with our Treaty Relations Team providing a conduit through which the Council engages with them.

The Wellington City District Plan has no specific papakainga (maori housing) rules in the District Plan. This has not been a barrier to providing for maori development aspirations. The Council is currently working with Polhill Gully Trust to provide for a papakainga housing development on a site in Wellington City. It will comprise 13, 3 bedroom units, located over 2 levels, and will be the first papakainga housing development in Wellington and be the first of its kind in New Zealand (medium density terrace houses).

Another example includes the Wellington Tenths Trust (a property holding/development arm of Taranaki Whanui) and Hurst Pratley Group jointly developing and owning the 'Village on the Park' on the former site of Athletic Park in Newtown. This retirement village provides a range of housing and supported housing, with an on-site hospital. The Tenths Trust also own Maori leasehold land around the city including some residential land in Newtown and other parts of the city. This means that residents own the building but not the land. These leases are typically for 21 years with ongoing rights of renewal.

The Council is also currently working with Iwi and the Upper and Lower Hutt City Councils to jointly prepare a plan change involving a full review of the tangata whenua chapter and 'Sites of Significance to Maori' in the District Plan. They are not seeking any particular rule provisions for papapakainga housing, but want a very clear policy approach to consultation relating to new developments occurring in the City that may affect their interests.

Land aggregation

- 66. How important is the aggregation of land for housing development? How difficult is it? Do some local authorities have processes in place that make land aggregation easier – if so, which ones, and how?*

The District Plan sets a policy and rule framework for medium density residential areas (MDRAs) to occur immediately adjacent to the Johnsonville (which is subject to appeal) and Kilbirnie town centres.

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The policies encourage the amalgamation of land to provide for comprehensive redevelopment of existing sites. These are key centres along the growth spine.

Non-regulatory town centre plans have also been developed for these centres, which among other things, support capital investment by Council in public infrastructure and public realm improvements. However, realising centre plan visions also relies on the private sector buying and developing land in these areas.

Given the fragmented nature of land ownership in these areas, change in these areas is likely to remain slow and incremental due to the limited controls the Council can currently apply to landowners and the aggregation of land. This is a concern given Wellington's population is steadily increasing and is also becoming more diverse with an increasing demand for a range of housing types. As opportunities for infill housing become increasingly constrained and fewer houses are made available to the market, the price of medium density housing in Wellington is likely to rise disproportionately, and housing demand may transfer to greenfield areas where the costs of providing infrastructure and services (community facilities, schools, network utilities etc) are higher.

Infill development involving increasing existing residential densities is inherently challenging as it is often unpopular with local communities due to concerns about changing character and amenity (eg loss of privacy etc). There is also an often incorrect perception that medium density housing means poor quality housing. This perception is based on poor examples of infill development that have occurred in the past. There is also a myth being promoted by some groups that this type of housing will be developed and used by lower socio-economic groups and beneficiaries which will lead to social problems in their communities. These perceptions could be 'turned around' by the development of quality housing in key locations.

67. Is there a need for public agencies that can aggregate land in New Zealand cities? If so, who should establish these agencies? What powers and functions should they have?

There are major redevelopment opportunities in Te Aro flat (Central Area zone), in identified suburban growth areas such as Johnsonville and Kilbirnie town centres, and in Adelaide Road. It is likely further place-based development frameworks will be developed in the future to promote urban renewal and provide opportunities for high quality development. These sites are characterised by fragmented/multiple land ownership and a variety of land uses. Development visions are hard to realise due to their complex nature and the limited mechanisms available to actively bring about change.

The Council is consideration launching a land development agency as outlined under questions 48 and 49. Enhanced urban regeneration powers to acquire, assemble (and develop) land for affordable housing are required alongside this proposed Council CCO to make this happen. These powers could also be extended to apply to central government development agency, or a public private partnership. There would need to be strong controls around this development right.

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The Council would urge the Commission to recommend the following actions:

Recommendation:

- Enact changes to the Public Works Act and/or RMA that enable approved central government development agencies, local authorities, and public/private sector entities to compulsorily buy, assemble and develop land for economic catalyst projects and housing (including affordable housing).

Incentives on developers and landowners

68. To what extent do central or local government policies and practices prevent or discourage landowners from selling or developing land for housing?

Where there is misalignment of national, regional or local policies and legislation it can cause uncertainty for land owners and developers. This is particularly problematic for greenfield developers in Wellington where the Council encourages housing in the identified greenfield areas of Lincolnshire and Lower Stebbings but the Greater Wellington Regional Council (GWRC) does not formally recognise these policy and rule settings. GWRC places strict controls on earthworks and requires developers to protect (or off-set) all streams, including ephemeral streams. This environmental protectionist approach runs counter to the growth strategies reflected in the District Plan (and identified as SHAs in the Housing Accord). This approach is frustrating as it followed extensive consultation with the Wellington community and GWRC in the mid-2000s.

The Council has identified growth areas in the city to enable infill and greenfield development to provide for the future growth of the city over the next 20+ years. The Council has also recently signed a Housing Accord with the Government and is working alongside the development community to help bring more housing to market consistent with the agreed targets in the Accord.

The Councils business processes are efficient and the Council has 100% compliance with the 20 working day requirement for non-notified, limited notified and fully notified resource consent applications prescribed in the Resource Management Act 1991.

69. How much land in New Zealand is being held in anticipation of future price rises? What evidence is there?

This question is difficult to answer, as it is based on land owner attitudes. In Wellington, there are a small number of large land owners that operate a cashflow model of development. This is not necessarily land banking in the traditional sense, but rather limiting the release of land to control

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financial risk. However this in turn moderates the sale price of these houses and ensures they remain profitable.

70. Does the setting of rates on the basis of land value or capital value (that is, including the value of improvements) influence the supply of land for housing? What evidence can you supply?

Wellington City rates are based on capital value (CV), which reflects the fact that most landholdings in the city are developed for urban purposes, with a significant amount of the value associated with the property tied up in improvements. On this basis, it is assumed that people who own higher value properties also have a higher ability to pay than people who own lower valued properties. The rates imposed on undeveloped land under a capital value based rating system is therefore less than if it was a land value (LV) based rating system.

As greenfield land is subdivided and certificates of title are issued for the land, the value of that land rises, along with the rates applying to that land. This recognises that the land can now be developed for higher value purposes (residential use).

Developers have informed the Council that this increases their financial liabilities and acts as a disincentive to increasing allotments/housing numbers. To avoid the rates increase the developers will undertake the earthworks and infrastructure for up to 100 allotments, but only get subdivision consents for 10 or so allotments at a time.

Council has therefore agreed that in the greenfield SHAs rates increases will be deferred for two years from the time Council signs off the subdivision (s224(c)), or when the land is sold, provided the development is in excess of 30 allotments or dwellings. Developers believe this incentive will encourage them to increase allotment and housing numbers.

Inequities can also occur in the land value based rates system where farms with large areas of land pay larger amounts of rates but only use the same amount of Council services as rural residential properties who are charged significantly less rates because of their smaller and lower value land.

The CV and LV approach to rating provides different incentives and disadvantages some over others. To address this, Councils use targeted rates (the Downton Levy pays for additional promotional and other services provided to central city businesses, exempt parts of the district that do not use some services (eg the 3 waters) etc.

Lower rates and therefore lower holding costs may encourage some landowners not to develop their land, but it is difficult to make an overall judgement on this as each person's circumstances will be different. The key issue is whether the Council has identified the land for future urban development through strategic plans and/or District Plan zoning. In these cases, it is very common for land to rise in

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value in anticipation of future development. Land rises in value again once infrastructure is in place and the land has been subdivided.

The recent announcement by the Local Government Commission on the future of local government in Wellington Region recommended that the unitary authority should rate on the basis of capital value.

Private covenants

71. How common is the use of covenants in new housing developments? To what extent are private covenants restricting the supply of development capacity?

Private covenants are not controlled by Councils but are placed on certificates of title by developers to prevent certain 'undesirable' things occurring within a development. It is not uncommon for fencing covenants to stipulate the size and location of fences or state that no front fences are permitted. This is to retain a certain character within the development. Usually the developer thinks this will add value to properties and make it more desirable to prospective buyers. It is not clear whether these approaches affect the supply of housing.

3.10 Recent initiatives

Housing Accords and Special Housing Areas

72. What are the advantages and disadvantages of the Housing Accords and Special Housing Areas Act 2013 and of its implementation to date?

Wellington has recently signed a Housing Accord with central government. The first tranche of Special Housing Areas (SHA) will be approved by Government before Christmas. A second tranche is currently being investigated and will go to Government for approval in early 2015. The Wellington Housing Accord has targets of 7000 new dwellings, with 1000 targeted in the first year, and an additional 1500 in each of the remaining four years. Officer observations of the advantages and disadvantages are below.

Advantages

The HASHA Act has expedited consent processing timeframes for limited notified applications. The HASHA Act limits 3rd party participation to only particular people/groups, prevents full public notification, and has limited appeal rights.

The non-notified application timeframes are the same as the RMA.

These innovations provide a high level of certainty for developers when undertaken development within SHAs. Developers will still be required to design developments in general accordance with the District

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Plan. A one-stop-shop approach will be undertaken with all applicants. This will involve free pre-application meetings where all decision makers will be able to assess and give guidance on the appropriateness of the proposed development before full design drawings are developed and the application lodged. This approach will involve work across the Wellington and Greater Wellington Regional Councils and Wellington Water Ltd.

The benefit of the Housing Accord is that it will require all three organisations to focus improving efficiencies in processing applications, boosting the pre-application process and making housing a priority local and regional priority.

Disadvantages

The Plan Change provisions of the HASHA Act only apply where a unitary plan (such as the Auckland Unitary Plan) makes certain residential developments prohibited activities. The Councils District Plan is not a unitary plan and there are no prohibited activities. The Council cannot therefore rely on the shortened plan change and limited third party right provisions in the HASHA Act.

The effect of this is that if the Council allows residential development to occur in 'wrongly-zoned' sites through applying a SHA, the Council will be left with potentially significant legacy issues and the need to then undertake plan changes to tidy up zoning issues once the HASHA Act is repealed in September 2018.

Qualifying developments in SHAs are limited to 6 stories or 27 metres. The District Plan permitted height in most parts of the central area exceeds this height limit. The HASHA Act cannot therefore be applied to large parts of the central area.

Recommendations:

- Retain the ability to create Special Housing Areas and qualifying developments (either by extending the term of the Act and/or make similar changes to the RMA);
- In proposed/approved special housing areas allow the plan change provisions in the HAASHA Act to apply to the rezoning of the land for housing purposes and for all consent categories (not just prohibited activities);
- Allow apartment buildings above 27 metres to qualify as part of a SHA under the Act.

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Canterbury Recovery Strategy and Plans

Christchurch Central Recovery Plan

Land Use Recovery Plan

73. Are there wider lessons for New Zealand from the planning and development processes that have been used in greater Christchurch?

74. What evidence is there that the Land Use Recovery Plan changes are resulting in more land being made available for housing, or allow land to be developed faster?

An important lesson that planning can take from the Canterbury Earthquake is to align strategic thinking and implementation planning. Before the earthquake, the region was in the process of implementing new residential growth areas to cope with the demand. This meant that when the Government brought in new legislation as part of the recovery, much of the planning had already been done and was ready to go. This meant the focus could be on implementation, as required in a disaster recovery.

However, when the situation is not a disaster recovery, the need for alignment is still strong. Growth areas and projections should be based on market forces and also have a robust and accurate assessment or projection model. A standard approach across New Zealand would make a comparison between TAs and regions much easier.

The Council is aware of 'project champions' that were given special responsibility in Christchurch to ensure particularly projects were delivered quickly and on budget. This meant that while there is a large, multidisciplinary team attached to the project, a single person (or small group of persons) is responsible. Wellington has just been accepted into the 100 Resilient Cities programme, along with Christchurch. This programme includes a grant to fund a Council position to be created, called the Chief Resilience Officer (CRO), "who will lead the city's resilience efforts" (100 resilient cities website). While this is undoubtedly a huge task, it means that this person will be the main focus for resilience projects happening throughout the city and. The programme would then expect that this position will bring about efficiency in delivery of desired outcomes. There could be a similar model for delivering improvements the Commission could look at in relation to land supply or development.

The Council is working with all local authorities in the Wellington region to develop a Regional Natural Hazard Management Strategy. This will be a non-statutory document which will guide all local authority responses to natural hazards in their districts, and help ensure a consistent and coordinated approach. A range of actions are likely to come from the development of this strategy, including making appropriate plan changes to better manage natural hazard risks.