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Dear Madam / Sir

New Zealand Productivity Commission's Issues Paper (November 2014) **Using Land for Housing**

We appreciate the opportunity to input into the inquiry process on using land for housing and look forward to meeting with representatives of the Commission on 20 January 2015.

Scope of Inquiry

The Government has asked the Productivity Commission to undertake an inquiry into the supply of land for housing in New Zealand. The inquiry is narrowly focussing on the availability of land as one of the factors affecting the supply of affordable housing. By examining this issue in isolation, an opportunity is lost to examine other factors that together with supply are constraining the housing market. These include bare land markets, cost of infrastructure, financing packages for low-income prospective home owners, and the construction market's limited provision of generally smaller and more industrial scale housing.

Home ownership in New Zealand has declined since 2001. The 2013 census results illustrate that ownership or part ownership of a usual residence has declined from 54.9% of New Zealand's population in 2001 to 49.8% of the population in 2013 and that this decline has occurred in nearly all of the age groups recorded. Over the same time period the reciprocal proportion of the population who do not own a residence has increased from 45.1% to 50.2%.

The 2014 Household economic survey illustrates that between June 2012 and June 2014 average annual household income rose by 9.1% but average weekly expenditure on housing costs increased by 11.1%. Therefore household expenditure is increasing greater than household income.

The Issues Paper states at page 3 that this inquiry is not about the review of the fundamental role of purpose of the Resource Management Act 1991 (RMA) and yet the paper seems to focus entirely on the RMA.

Much of the Issue Paper is focussing on the supply of zoned and serviced land and the role local authorities play in this. This is an important aspect and we can demonstrate that the Tasman District Council does actively assist to this end (see Appendix 1).

However the availability of consented subdivisions to move on to the property market, the availability of brownfield sites for redevelopment, and the availability of land at prices that would encourage more affordable housing, are different matters again. Other factors influencing availability and affordability include:

- the motives of owners and developers and the timing of release of land parcels onto the market;
- the cost of land and building (including compliance costs of which GST at 15% is one of the highest single costs);
- the cost of servicing land with trunk services;
- the methods and cost of housing construction;
- the forms and prices of housing delivered by the construction industry;
- the structure and financial viability of agencies involved in the provision of affordable housing and the opportunities to build up equity in social housing;

All these factors are important in the several markets that respond to housing demand and in the quest for more affordable housing.

We see the system that yields the supply of serviced land for housing (development capacity) as being an interlinked series of council services and markets, with several phases of availability driven by either council or market players. To imply as under the Commission's terms of reference that all actions in this system rest with councils is to misunderstand the dynamics involved in delivering capacity for housing. Even if councils have not zoned enough land in the right location (assuming that such economically developable land exists), and if demand is high, at least resource consent applications can be applied for or Special Housing Areas declared, actions that rest with others.

The Issues Paper does not address the actual supply situation across the country relative to current demand, to establish the respective performances of councils in their roles, and the several markets in their respective areas; rather it makes generic assumptions about what the situation is. There is much merit in gaining this data in our view and we provide some ideas as to how you might achieve this (see page 6 and page 14).

Specific Comments
Figure 1- "What contributes to the supply of development capacity?" (p2)

This figure describes the sources of development capacity in ways that assume that all the capacity sources are constrained by Council activities or are otherwise under their influence. For each of greenfields, brownfields, infill and redevelopment (and these are all sources of sites for the next house, as improving use potential creates a further source) there are two inputs before any source may contribute to marginal development capacity. These are:

1. Council zoning and servicing to ensure appropriate and relatively certain consenting for both subdivision and housing construction, and

2. Market appetite to subdivide or reassemble land parcels for housing construction under the circumstances that apply at the time.

Reference to "other infrastructure or regulatory requirements" alongside these sources of capacity, as well as the way the topics on which the Commission has been asked to make recommendations are set out, all suggest that at least the Government has made the fundamental assumption that it is only Council performance that is relevant in development capacity.

We see the set of influences on both potential and marginal development capacity as being:

- land with degrees of restrictions for either subdivision or building imposed by councils
- markets to create new sites (including reassembled sites) by subdivision and building
- market restrictions imposed on sites.

So one capacity influence missing from Figure 1 is the restrictive covenants placed on titles of new subdivisions by developers. This is a direct market restriction. As the Issues Paper acknowledges at page 60 these can place severe restrictions e.g. on size, height, design and finish of building, thereby restricting supply especially to certain segments of the market.

"Is current land supply meeting demand?" (p.7)

This section of the paper is narrow in its focus - it examines Auckland in some detail but says very little about the rest of the country. It fails to recognise that ensuring development capacity and the issuing of building consents (which the section looks at for Auckland) are two very different steps in the process that affect marginal housing supply. Councils can ensure that the land is available by way of residential zoning, but cannot easily control the timing of when developers may decide to develop the land for housing.

While Auckland may have its problems, the paper does not explore whether demand management, as well as supply, should be looked at. Can demand be diverted to other areas in New Zealand where capacity is not, or less of a problem (provided there are jobs and other social infrastructure to take any overspill)?

"The impact of a shortage of development capacity for housing" (p.9) and Q4 "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?"

This section implies that if development capacity (supply of housing land) is increased, then affordability of housing will improve. This is not necessarily the case for at least four reasons:

1. Generally companies developing housing in New Zealand have responded to land supply and fluctuating demand by developing a business model which builds mainly homes for sale on freehold title and only at the rate at which they are being purchased. Unless structural changes are made to the house building supply market and more housing is provided by bodies other than private sector companies, the range of housing provided will continue to be limited in its range and unaffordable to a significant segment of demand. Developers do not make much profit when providing affordable housing and unless forced to do so will choose not to.

2. Whilst making minimum lot sizes smaller in a residential zone, and other design changes to bulk and location requirements, may mean more affordable housing is built (as the dwelling is smaller), if such developments are built to a high standard of design and are situated in a sought-after location, their prices may not necessarily be lower than a standard detached house on a 600 sq m lot. This has been shown to be the case in Nelson and Tasman.

3. The country's capacity to build more homes has shrunk. Housing New Zealand is principally a landlord and public sector building of the industrial scale seen in the 1940s and 1950s has not been replicated by the private sector. In fact the private group housing companies, while having off-the-shelf-plans, essentially, build for a single client for maximum return. Where is the incentive to do otherwise? If affordable housing is the objective there needs to be more design-to-value and standardisation involved in building houses in bulk notwithstanding this may appear to some as a reduction in housing quality and aesthetics. Regrettably it seems that it is only the retirement industry that is building large numbers of housing units in single locations. The current development and construction industry is too fragmented to capture the efficiencies that would come from building in bulk. The retirement industry also demonstrates that options other than freehold title should be explored to improve access to affordable housing.

4. Developers in Tasman District apply covenants to new subdivisions (as the paper highlights at page 60). Such covenants can prevent properties from being rented out and can prevent houses from being two storeys etc and this all has impact on the affordability of housing that is provided. Local authorities can do nothing to prevent such covenants being attached to new developments. Whether this should be prevented poses a conundrum for any Government wishing to enshrine the sanctity of "private property rights" into law as currently proposed in the rewrite of section 7 of the RMA.

In summary the planning system run by councils alone cannot deliver an increased supply of affordable housing. Further interventions are required as discussed below in our submission.

We would also observe that renewing existing housing stock, especially public sector housing, is as important as new building in trying to address more affordable housing options.

Q2 "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?"

There is an implied suggestion that the RMA has, because of its purported focus on managing externalities of resource use, failed to create liveable towns and cities. We would refute this. There is more than sufficient scope within the RMA to achieve co-ordination and quality of outcomes in the urban land development process. Those who would argue there is insurmountable conflict between the RMA, Local Government Act (LGA), and Land Transport Management Act (LTMA) are either not doing their job right or are looking for excuses to explain other more performance related issues. At best the process burden of multiple planning processes could be simplified and scope and purpose clarified but integration can already be achieved and should be. Q8 needs to be assessed carefully and the role of the LTMA not overly inflated. The asset management planning required under the LGA should be aligned with any Regional Land Transport Plan - perhaps much easier for unitary authorities to transact but the outcome should be the same.

While dispensing with the RMA and re-creating something similar to the Town and Country Planning Act might give more single focus to urban land development, any such system would be much inferior and lose the integration which is central to the RMA, unless of course the Government were to move to a completely different model of planning and consenting and remove some or all of these functions and costs from local government.

There are system performance issues which do need addressing. Funding infrastructure and keeping rates affordable is a constant challenge for councils especially those experiencing growth demands. Development contributions are a legitimate funding tool to spread the

marginal cost of infrastructure across those who benefit from it, but are seen by developers as a compliance cost. Any rezoning of land or other measures that increase development opportunity can confer a "windfall" gain on the owner. Betterment taxes (as described on page 54 of the issues paper) have been provided for in law (see section 326 Local Government Act 1974) but have never really worked. The assumption has been that increased value will be reflected in the rate take but all that really happens is that rating incidence is redistributed.

The plan making process which rezones land can be cumbersome and can be slow to respond to changing demands. An issue that can affect the supply of "shovel ready" residential zoned land is the length of time a plan change or plan review may take. However, making decisions on where to allow development can involve serious issues relating to infrastructure, natural hazards including stormwater management, and ensuring quality outcomes for communities.

Removing the ability to appeal the substantive decision to the Environment Court may speed up the plan making process. There are in place situations in Auckland and Canterbury where the first instance decision is made and appeal rights are attenuated. The problem with these time saving initiatives is that such policy decisions are taken out of the hands of elected representatives who are financially and electorally accountable, and handed to "professional" decision makers. The Special Housing Area (SHA) declaration under the Housing Accords and Special Housing Area Act (HA&SHA) might offer a better model. Indeed Simplified Planning Zones (SPZs) were a similar mechanism to the SHA introduced in the UK in the late 1980s. Take up of SPZs has been extremely low by local authorities and they remain unproven and only six local authorities have entered into Housing Accords and production of more affordable housing has yet to materialise. What this suggests is that it is unclear whether relaxing the planning rules and processes by itself is ever enough to stimulate development activity.

Q5 "What data sources will be most useful in identifying effective local authority planning processes for the development of land for housing?"

Tasman District Council has developed its own growth demand and supply model, a district wide long term planning tool since 2004 (we are now at fourth generation). The development capacity rollout from the three yearly model review informs capital budgets that feed into the Long Term Plan every three years and into the Annual Plans. The model also provides for computing development contribution amounts for the three water services and transportation, derived from the number of built site equivalents and their capital estimates for the relevant services related to growth. It also informs Tasman's Resource Management Plan since plan changes may be required to enable growth to occur as assessed by the model. In practice, the strategic priority-setting process for RMA plan changes for urban development capacity by rezoning, has largely paralleled the model assessments, but each planning process has provided a useful check on the other. The model is not perfect (it relies on Department of Statistics population projections that are broad scale, it needs better "real time" capability to monitor migration and building trends) but it has served us well in anticipating the rate, direction, and form of urban growth in Tasman.

The 2014 review of the model has shown a significant supply of lots in excess of current and projected demand, and these are either "shovel ready" properties, vacant land parcels available now as lots zoned and serviced, or lot computations from unsubdivided sites zoned and serviced or zoned and to be serviced.

Location of New Zealand's population growth 2001-2013 (figure 7, p.17)

The paper explains that the Commission proposes to focus on the ten territorial authorities that had the largest population increase between 2001 and 2013, namely Auckland,

Hamilton, Wellington, Tauranga, Christchurch, Selwyn, Waimakariri, Whangarei, Waikato and Queenstown Lakes. Whilst these areas have undoubtedly seen significant population increases, focussing only on areas that have high household projections needs to be considered further. Local authority household projections can offer a clue as to where housing demand is strong, but it is important to bear in mind that the projections are based on recent trends in household formation. Districts that have managed to deliver housing would see their population increase because people move into their new homes. This population growth then informs future household projections, thereby reinforcing the apparent need for new homes.

The opposite is true: a local authority with projected low household growth does not necessarily mean demand for housing is low. Local house prices may be too high for most and so new households are unable to form.

"International evidence" (p.18) and Q7 "What policies and practices from other countries offer useful lessons for improving the supply of effective land for housing in New Zealand?"

The issues paper acknowledges on pages 1 and 18 that approaches from overseas may have valuable lessons for New Zealand. The 10th Annual Demographia International Housing Affordability Survey 2014 illustrates just how many countries (including New Zealand) are experiencing affordability problems. Some other more developed countries such as the UK are further ahead with inquiries into housing supply. The UK began with Kate Barker's review of housing supply in 2004 and measures have since been introduced including fiscal ones to encourage the building of more housing. However these seem to have so far failed with house building rates still falling woefully short.

One of the latest independent reviews (the Lyon's review 2014) considers more drastic measures are required and that councils should have "use it or lose it" powers to incentivise faster development from landowners. New Zealand could consider similar measures. Councils generally capture development potential through rates when land values increase. This can be lost under rates remission regimes - perhaps the law should not provide for rates remissions because of a zone change allowing higher value uses? Perhaps a premium could be loaded on to vacant sections? The Valuer-General requires land to be classified for rating purposes and this includes vacant residential land in existing titles (RV classification) and vacant blocks of residential land ready for subdivision (RB classification).[1] It might not be impossible to introduce a differential that would incentivise early development (this may need to be checked for compliance with rating principles - would be called an idle-land tax in some countries)[2]. Other measures include shortening the life of planning permissions to try and speed up the delivery of housing (although this may lead to an unintended consequence of smaller, and more, applications.)[3]

[1] RM would be another classification but not relevant in Tasman - it identifies potential multi-unit development opportunities

[2] China, Philippines, Brazil and New York State have introduced these see McKinsey Global Institute, *A Blueprint for Addressing the Global Affordable Housing Challenge,* October 2014
http://www.mckinsey.com/insights/urbanization/tackling_the_worlds_affordable_housing_challenge

[3] At least applications with multiple stages implemented progressively over time allow for more co-ordinated and efficient use of infrastructure

Q10 "Is ensuring an adequate land supply for housing an objective of current District or Unitary Plans? If so, what priority is this objective given?"

Q14 "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?"

The Tasman Resource Management Plan (TRMP) contains policies for each settlement on urban environment effects and dependant on the size of the settlement, policies exist to provide for the expansion and in some cases intensification of the settlement's urban area over a 20 year timeframe.

In terms of the actual land supply for each settlement, the Tasman growth demand and supply model determines this, and is reviewed every three years and sometimes more frequently. The model assesses demand for residential and business lots based on population growth, household size and economic forecasting for land-demanding businesses and determines the supply required over a 21+ year timeframe (soon to be 31+ year timeframe).

The rollout of lots is allocated spatially and temporally considering constraints and opportunities of areas of land within each settlement and the potential yield of those areas of land. Each review includes an assessment of the number of building consents and subdivisions that have occurred in the three year interval as a proxy to assess accuracy of previous development predictions.

Q15 How well do zoning decisions in District Plans and infrastructure planning in Long-Term Plans reflect demand and supply forecasts?

Once the review of the growth model is complete our database is updated to highlight areas of the District that may require a Plan Change following an allocation of growth. This then informs the environmental policy work priorities for the Council.

Q17 What are the characteristics of the most effective processes for testing proposed rules, Plans or Plan changes?

In considering a Plan Change for Richmond to increase the density of housing, the Council has established an advisory group - the Richmond Residential Density Advisory Group (RRAG) which comprises architects, developers, estate agents, surveyors, housebuilders, planners and other community representatives. RRAG aims to work with the housing delivery sector and community representative in considering increased density and housing choice. The RRAG was created in August this year and will run for one year. During that time proposed rule changes or other non resource management plan methods will be tested with the group. We are seeking proposals that will be commercially realistic and allow for innovation and good design in medium density; therefore we are involving the group in the policy formulation process.

Q18 How effective are local authority processes for connecting decisions across the different planning frameworks? Which particular processes have been successful? What explains their success?

We do not agree with the Ministry for the Environment characterisation of RMA decision-making as having "little recognition of infrastructure investment". In both the planning process, and the subdivision process (where criticism of councils can occur), it is often because of the infrastructure dimension of development. Councils are generally keen not to inherit infrastructure assets that are poorly located, designed, and constructed, or otherwise not fit for purpose. Council operates engineering standards and policies to require

performance standards for all lifeline infrastructure of council, and these are imposed at subdivision. In our experience infrastructure is central to many RMA decisions.

Tasman District Council makes use of deferred zones to signal the direction and scale of urban development but the release is sequenced to coincide with the availability of trunk services. We have recently enhanced the opportunity for developers to leapfrog the Council's works programme and for private solutions to be adopted for servicing while still enabling development provided that the outcomes are not sub-standard or place additional future burdens on the community. We are happy to expand on this technique if required.

Q27 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?

Using the two examples it is very unlikely that the same developer will work in both Nelson City and Kapiti District although maybe their consultants might. The focus of the question is not well framed. Any competent developer or consultant working in more than one district will be able to work with the rules that apply. Equally rules may be different within the same district. So the issue is why might there be a difference? If there is no sound reason then consistency is desirable. This is where the Government could establish national rules if that was the objective but again evidence to date with National Environmental Standards suggests it is harder to do than to say!

Q30 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?

If proposed residential subdivisions are located on land appropriately zoned with no significant issues then consent applications can be assessed on a non-notified basis and the statutory timelines achieved, i.e. the processing period of 20 days (or up to 40 days when the circumstances, such as complexity, justify section 37 extensions). However, the total elapsed period does get extended when more information is required around servicing design or other matters. The processing clock gets stopped while waiting for the applicant to respond. Often these further information requests have to be made because the applicants have not addressed key infrastructural or natural hazard matters associated with the subject sites. Applicants themselves also ask for the process to be put on hold for their own reasons.

Some councils we are aware avoid this by requiring pre-application discussions, which can happen over an extended and unmonitored time frame; and they will not accept an application until it is perfect and consenting becomes a "rubber stamp". While we encourage pre-application meetings we do not insist on them (Q28 deals with this matter). This variability in practice may also explain the difference in section 37 requests (see Q31).

The critical issue here is what is meant by "unnecessary" delay and to probe this objectively.

Q 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?

Q36 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?

If decision makers of whatever kind, staff, councillors, commissioners, are making delegated decisions in accordance with their duties and powers, there should be no difference in the

fairness or quality of the outcome. Efficiency is another matter. The statistics would prove that non-notified decisions made by staff under delegation are most efficient in terms of timeliness. We note that such staff decisions are able to be objected to under section 357 of the RMA (not that we receive a high number) - why is it that only staff decisions are treated this way? We have also observed that where an applicant has requested their notified application be heard by independent commissioners they have incurred extra costs compared to the charges applied when similar applications have been heard by a panel of Councillors.

Conflicts of interest should be known and sorted before appointment - most easily by non-appointment.

Infrastructure for housing p 47

We would readily concede that we cannot fund all the infrastructure for all areas identified for future urban development in Tasman District, in the present. We adopt a capital works programme that prioritises expenditure and spreads out associated debt. If it was not for our debt profile, we could consider bringing forward some capital works but even then councils can only manage a certain number of capital projects at any one time consistent with logistics and other resource capabilities.

Where trunk services are available, a subdivider is normally obliged to connect to them and ultimately vest new infrastructure in Council. Interestingly most district plans (and their companion Engineering/Development Standards) compel applicants to connect not only to Council infrastructure but also require evidence that development can be serviced by power and telephone services. This confers a benefit onto the utility provider (a captive client) and we have heard of difficulties and costs incurred by developers to internally reticulate their subdivisions when trunk power or telephone services are not close at hand. These costs however are transferred into the selling price of sections. [We no longer insist on landline phone connections if mobile phone coverage is provided by other means.]

The alternative of not requiring serviced sections or allowing on-site servicing in built up urban areas is not realistic unless the community is prepared to accept a lesser standard of housing and provided the Building Act was amended to permit the building of “lower cost” housing.[4] We have recently granted building consent to a number of Yurts as a lower cost residential living option but not everyone wants to live in a tent.

Q51 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?

Obviously there is variability in both the type and quantum of charges associated with development because local authorities have different Revenue and Financing Policies as required by the LGA. Not all territorial authorities use development contributions, most do use financial contributions. Some also have connection charges (similar to power and gas companies). This variability may add to the complication but the cost is what it is. Most payments are not imposed until the issue of the section 224 completion certificate at a time when advance deposits have probably been made by prospective purchasers.

[4] We would not condone the establishment of “shanty towns” that appear in overseas cities but a portion of the housing market needs access to basic, safe shelter in appropriate locations and if this can be provided at lower cost until incomes rise to allow families to move up the housing ‘ladder’ then should not this be provided?

Q54 Do Development contribution policies incentivise efficient decisions about land use or do they unduly restrict the supply of land for housing?

Q55 Are development contributions used exclusively to drive efficient decisions about land use, or are they used to promote broader goals?

Due to the way that development contributions are calculated, largely based on the creation of a household unit, they disincentivise the building of a number of smaller houses and favour the building of one large property instead, thus not ameliorating the housing affordability problem. The house building or developer sector believes that development contributions should be reduced for denser forms of housing and infill but this is a potential subsidy by the wider community for certain types of housing. It may exacerbate the debt position of local authorities and threaten the provision of infrastructure associated with new housing.

Development contributions for those councils who use them are a legitimate funding tool under the exacerbator / beneficiary pays principle. If they are to be used to incentivise certain forms of development outcome, any income forgone has to be funded by some other means, normally the general rate payer.

The issue of charges emanating from notification of an application for resource consent is as relevant as the cost of development contributions and a possible way of encouraging medium density housing is to make the activity non-notified where that is not currently the case.

Q56 How effective have the recent changes to development contributions beenthat were introduced in the Local Government Act 2002 Amendment Act 2014?

It is too early to say whether the recent amendments to the LGA have been effective. Codification of Development Agreements is helpful but already happened previously. Reconsideration is a restatement of the review process many Development Contribution policies had in place. The new objection process will only be for very contentious cases as the processing costs associated with independent commissioners (who have no financial accountability for their decisions) will not be insubstantial ($5,000 to $7,000 minimum).

Q61 Does the use of Council Controlled Organisations create challenges with respect to integrated provision of infrastructure to support housing?

It depends on how the CCO is linked into the decision making process. Are they a supplier of a service in the same way as for power, gas, or telephone or are they integral to the process as with a council department. If the former there will be less certainty of outcome for applicants and higher transaction effort required but cost and effort may be more transparent (and probably higher - you only have to look at Watercare's infrastructure Growth charges which alone are nearly as large as some councils development contributions added together).

Q62 Has the National Infrastructure Plan helped promote coordination of infrastructure investment? Is there sufficient integration between central and local government infrastructure planning?

The short answer is NO. In fact our impression is that any consideration of the considerable infrastructure challenges which local government is involved in at the national level has been only recently and after Local Government New Zealand has made the point. Integration between central government agencies such as NZ Transport Authority (NZTA) and local

authorities in roading occurs out of necessity because NZTA is a significant funder of roading infrastructure. Ministry of Health offers meagre subsidy assistance for water and wastewater services to "low decile" communities with little strategic appreciation of need, priority, or value for money.

Central government agencies are quick to criticise in advice to Government but often do so from a position of ignorance or ideology.

Q66 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?

Land aggregation, especially in brownfield developments, is critical but it assumes someone will have the capability to buy up large tracts of land and offer it as a redevelopment opportunity. This is normally the domain of urban renewal authorities overseas who have powers of compulsory acquisition and abilities to bypass normal planning processes.

Generally the process for amalgamating titles is straightforward but is still a subdivision and has to go through the preparation of a plan of survey. However once the land is owned by the one developer aggregation is not always necessary because the law allows for buildings to be erected over boundaries as might happen in comprehensive residential developments.

Incentives on developers and landowners p 58 and Q69 - How much land in New Zealand is being held in anticipation of future price rises? What evidence is there?

This is a critical issue as already mentioned. However the discussion about land tax, property tax, land value and capital value is confused and confusing. Whether rates (a property tax) are set on the basis of land value, capital value, or annual value, has no effect on the release of land on to the market. The rating incidence still occurs although the effect may be moderated if local authorities have in place Rates Remission Policies to temper the effect of a rezoning to a higher value land use.

There has been evidence in Tasman District of developers subdividing land and only selling sufficient lots to cover the costs of initial or staged development. The remaining lots then remain off the market until such future time as the price of land rises to optimise returns, but at the same time restricting the supply of land that could otherwise be made available for housing. There is one such subdivision in Richmond where consent was granted in 1992, amended in 1999 and still today, in 2014, there are sections available.

In relation to evidence of "land banking" see our comments on page 14,

Q71 - How common is the use of covenants in new housing developments? To what extent are private covenants restricting the supply of development capacity?

In Tasman District it is common with new subdivisions. The case study provided in the Issues Paper on page 60 falls within our District and was promoted by the developer. Council has no control over developers placing such covenants on new subdivisions and it can have a major impact on the resulting type of development. Such covenants can for example prevent a second storey being built on a house, or can restrict the minimum size of dwellings, or prevent dwellings being rented. In the context of seeking to increase housing choice with medium density and more affordable options in the District, the efforts of a local authority could be thwarted with the imposition of such covenants.

Whether this should be prevented poses a conundrum for any Government wishing to enshrine the sanctity of "private property rights" into law as currently proposed in the rewrite of section 7 of the RMA.

General overarching comments

The New Zealand quest for a house on a freehold title may be placing affordable housing beyond the reach of many given the price of land and equity which has been captured in the current housing market. Are there alternative tenure options that should be explored that might incentivise developers to build more housing in bulk (especially given the decline in public sector house building in New Zealand)?

The Government has made housing a national priority but does not seem to have increased its investment in either public sector or social housing provision. Building in bulk will provide the supply which the Government is looking for. There is also a need for greater strategic co-ordination of the Community Housing organisations currently involved in the provision of social housing.

Given the most urgent need for housing exists in New Zealand's largest cities, constraints exist in the supply chain for skilled labour for house construction. Recruitment efforts in these fields will remain important and opportunities for greater use of off-site build technologies and modern methods of construction should be explored more. The issues paper seems silent on this skills gap? Increasing demand will place pressure on the sector's skill pools. Are there sufficient high quality apprenticeships required to meet skills gaps and attract the next generation of skilled workers to the sector?

Tasman District Council has a well-developed and integrated development planning system across RMA and LGA instruments, and has run this system for some time. Tasman District has ample development capacity for the foreseeable future yet is one of the least-affordable housing regions in New Zealand; clearly there are other dynamic factors at play that the Government has not recognised.

In summary the planning system alone cannot deliver an increased supply of affordable housing.

Yours sincerely

Dennis Bush-King
Environment and Planning Manager

Appendix 1

Tasman District Development Capacity

In Tasman District there are around 848 (up from 560 in February 2013) vacant residentially or rural residentially zoned and serviced sections of less than 2500m^2 that could be released on to the market today if that was the wish of the owners (and some are awaiting building consent).

There is also some 434 hectares of appropriately zoned land in parcels of greater than 2500m^2 that could be subdivided for residential and serviced rural residential living if the owners wished, if consent was obtained, and provided there were buyers prepared to buy. It is accepted that not everyone wants to live in St Arnuad so location, relative to demand, is important.

In terms of subdivision proposals "in the pipeline", that is either going through or soon to go through the consent process based on discussions with developers, there are likely to be another 1,000 new lots for residential living across the whole of Tasman District coming on stream in the next few years.

In Richmond and Motueka, the two largest residential areas in Tasman, there are 135 and 143 allotments which are capable of being developed now (ie "shovel ready"), and some are the subject of building consent. Admittedly some are on elevated slopes and are unlikely to be made available for first home buyers because of the price of land. However if added to these totals is the land that is zoned for residential purposes, or when serviced with appropriate infrastructure will also be available for residential use, there are a further 221ha in Richmond and 209ha in Motueka where houses can be built.

Not included in these figures are all the lots that have dwellings on them that are theoretically capable of in-fill development if the owners wished to subdivide or build an extra dwelling. Nor do they account for the option of redevelopment of multi-unit or higher density dwellings on existing allotments, developments which are already provided for under Council's residential zone rules (down to lots 350m^2). Market demand in Tasman for apartments however is not high although one significant retirement village which will accommodate up to 200 villas is under staged construction now.

The main challenge for the Tasman community is the affordability of these opportunities. While the Council does influence development costs through consenting processes and development charges, market influences and developer expectations are the stronger drivers around the release of sections onto the market at an affordable price.

Abbreviated Version of the Statistics

There are 848 separate, vacant, serviced titles on our records for the whole of Tasman (135 in Richmond and 143 In Motueka) - some of which are currently being built on but many more can. Plus there is 434 hectares of zoned and serviced land available for residential or serviced rural residential living across the district (not included is the amount of land zoned deferred awaiting servicing).

There are 92 hectares of zoned and serviced residential land in Richmond and 129 ha of zoned but to be serviced land for residential use. In Motueka the figures are 140 hectares of zoned land (not serviced for water but otherwise OK) and a further 69 hectares of zoned but not yet fully serviced land.

Potential section yields

Richmond - 920 lots in zoned areas, 1290 in deferred areas

Motueka - 1400 in zoned areas and 690 in deferred areas

From information extracted from the recently released valuation roll (as at 1 September 2014) there are currently 961 vacant, mostly "shovel-ready" residential properties which could be used for housing (equating to the Valuer-General's RV classification). In aggregate this amounts to 151 ha of land. In addition to this there are 55 blocks of residentially zoned, serviced, but vacant land that for rating purposes is regarded as land ready for subdivision(equating to the Valuer-General's RB classification) . This amounts to 243 ha of land ranging in size from 3000m^2 to 15ha. Even if 80% of this was readily developable it could notionally yield 1,900 sections at 600m^2.

[The reason for the discrepancy between the valuation roll information and our growth model is that the former takes a more conservative assessment of development opportunity or is more recent in relation to vacant sections with title.]