

**ADDERLEY HEAD**



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**SUBMISSION ON 'USING LAND FOR HOUSING'**

**Productivity Commission Issues Paper – November 2014**

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**To:** New Zealand Productivity Commission  
info@productivity.govt.nz

**Submitter:** **HUGHES DEVELOPMENTS LIMITED**

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PO Box 16, Christchurch 8140  
Attention: Paul Rogers

**Proposal:** **Using Land for Housing: Issues Paper – November 2014**

## SUBMISSION ON 'USING LAND FOR HOUSING' – ISSUES PAPER

### Introduction

- 1 This submission is made by Hughes Developments Limited, which is a property development company specialising in residential land development, commercial and industrial development, construction, partnering and advisory services. The company, which is privately owned, has been trading successfully for more than 20 years and has completed a range of projects throughout New Zealand and offshore.
- 2 The submitter supports this inquiry into the supply of land for housing in New Zealand. The submission is focussed on one particular issue that is of interest to the submitter, being the effect of fragmented landownership on the availability of land for development. The comments below are linked to questions 66, 67, 73 and 74 of the Issues Paper and are based on the submitter's recent experience with land development in the Selwyn District.

### Fragmented ownership at Rolleston

- 3 Within the Selwyn District, land for future residential development is identified in the Land Use Recovery Plan (LURP). One of the major areas of current and projected growth that is provided for in the LURP is the township of Rolleston.
- 4 The land identified for future residential uses in Rolleston in the LURP can be split between large land holdings in single ownership and parcels of land in multiple ownership. All the land in single ownership is currently developed and sold out or subject to residential development. Almost all the land in multiple ownership has remained undeveloped.
- 5 The plan attached as **Appendix A** identifies that within the next 12 months the only residential land "available" for new development will be land tied up in multiple ownership.

### What are the problems with fragmented ownership?

- 6 The Issues Paper makes reference to the fact the MBIE has identified fragmented land ownership as a constraint on residential housing supply. The submitters agrees with this comment and provides the following comments based on its own experience.
- 7 The key problem with multiple and fragmented landownership is that landowners have different objectives and expectations in relation to the use and development of their land. These differences and the lack of co-ordination between landowners prevents the land from being made available to the market at a price that enables residential development to occur.
- 8 By way of example, a property at 551 Springston Road, Rolleston was recently put on the market for sale. This property is located within an area that is identified in the LURP for

residential use. It is as a key corner site and logically would be required for any rational development of the outline development plan area in which it is located.

- 9 The property has an area of 8751 m<sup>2</sup> and contains an existing 20 year old 4 bedroom home. It has a LV of \$270,000 and an RV value of \$520,000. The property was marketed for sale via public auction and sold on 3 December 2014 for \$760,000.
- 10 The selling agent confirmed that the purchaser bought the property as a lifestyle block and did not purchase it with the intention of developing it as a residential development site. Assuming this intention remains unchanged, this will lock up the site long term and effectively removes this site from the LURP and its future intended residential development.
- 11 The market has demonstrated that there remains demand for larger lifestyle blocks in Rolleston despite planning attempts to remove this type of stock as part of the Rolleston housing options. The sale represents a price that is 280% above the GV for the land and is simply not feasible for future residential development. The existing 20yr old house could not be included in any future subdivision of the site, so it has no value in the land development exercise.
- 12 To quantify this issue, zoned bare residential land in Rolleston has a market value of approximately \$350,000 including GST per ha and historic sales confirm this. On this basis this site has a value as a residential development site included in the LURP of \$305,000 including GST. Based on the actual sale price of \$760,000 the land is sitting at a premium of \$455,000 over residential land value or 250% above residential land value.
- 13 The yield for this site being in ODP area 13 is 10 lots per ha. Therefore the expected yield from this site with an area of 8751 m<sup>2</sup> would be say 9 lots. If the site is considered as a residential development site with a value of \$305,000 as established above, this would result in a bare land cost per lot of \$ 34,000/ lot including GST which is at the upper range of historical costs for costs / bare land lot.
- 14 If the same exercise is applied to the actual market sale price for this land the bare land lot price increases to \$ 84,000 / lot including GST. This is an increase of \$50,000 per lot, or in simple terms the selling price for a standard section in Rolleston would increase from say \$170,000 to \$220,000. The market would not accept this level of increase and the land simply would not be developed.

#### **Consequences of lack of available land**

- 15 There are significant consequences of a lack of available land that is caused by multiple and fragmented ownership. The following are the submitter's comments about likely consequences if the current situation in Rolleston remains unchanged.

- (a) The price of sections in Rolleston will rise to accommodate the individual price expectations of multiple landowners wanting to maximize their small land holdings. This will add \$20-\$30,000 to section prices in Rolleston
- (b) The large experienced land developers will leave the Rolleston area as no suitably sized land holdings are available.
- (c) The major group housing building companies will also leave the Rolleston area as no certainty of supply of projects of any scale are available and they will simply not make sales with a 20-30k increase in land prices.
- (d) The design benefits and advantages of large master planned residential developments will be replaced with small disjointed residential land developments reminiscent of the early developments in Rolleston which Selwyn District Council has acknowledged are not the outcomes they want to replicate going forward.
- (e) The multi ownership blocks include significant existing houses, which would financially need to be retained in any land development which causes serious compromises in terms of master planning, layouts and access provisions.
- (f) The housing activity in Rolleston will slow to a fraction of the existing market share it now enjoys.
- (g) The down turn in activity will in turn impact directly on Selwyn District Council financially by significantly reducing the cash generated via sewer contributions and reserve contributions.
- (h) The Council will come under pressure to fund and deliver infrastructure to enable small pockets of development which will provide no initial payback and result in a long term inefficient outlay for the Council.

16 Based on the above, providing additional zoned land in single ownership is critical to ensuring that land is actually available to the market and desired housing outcomes can be achieved.

#### **Land aggregation solution**

17 Questions 66 and 67 in the Issues Paper relate to the potential for aggregating sections of land into larger, viable packages for development. The submitter does not support forced land aggregation for the reasons set out below.

18 Relying on compulsory land acquisition or aggregation is a heavy handed approach that attempts to fix a problem that has been caused by prior decisions. A better approach is simply to avoid the problem from arising in the first place by ensuring the land ownership is a more prominent consideration when rezoning decisions are made.

- 19 When considering the rezoning of rural land to enable residential greenfield development, a wide range of considerations are taken into account. However, land ownership and the ability of the land to be brought to the market in a timely fashion is often ignored or given very limited weight. Furthermore, the supply of land that is made available is restricted based on a flawed assumption that all rezoned land will be available for development.
- 20 The submitter considers that if the objective is to achieve more "shovel ready" land for residential development, the underlying ownership structure should be a critical consideration in planning and rezoning decisions. This could be achieved in three ways:
- (a) Giving lower priority to areas of land held in multiple ownership where suitable land is available in common ownership;
  - (b) If land in multiple ownership is to be rezoned, allow for the fact that this land will not be immediately available by providing an "oversupply" of zoned land compared to anticipated population growth and demand;
  - (c) If a situation emerges where zoned land is not being brought to the market, provide Councils with the power to rapidly zone additional land where certain "availability" criteria can be met.
- 21 The submitter considers that the above measures will be effective at increasing house supply and are more appropriate than interventionist policies of compulsory acquisition and amalgamation of land.

### **Lessons from the LURP**

- 22 Questions 73 and 74 of the Issues paper relate to lessons that can be learnt from the planning process that has been followed in greater Christchurch, particularly the LURP. While there have been some benefits, that submitter considers that there have also been adverse consequences from the approach that has been adopted.
- 23 The problems stem from a lack of recognition of land ownership when identifying the amount of land that is required for development. Taking the Rolleston situation, a fixed urban limit was put in place based on expected population growth and an assumption that all rezoned land would be made available for development. The reality is reflects the inaccuracy of this assumption, with the "available" land supply all but exhausted despite the presence of additional undeveloped land within the urban limit.
- 24 Given the "high order" nature of the LURP and the statutory weight it is given, Councils are constrained from amending their planning documents in way that would be inconsistent with the LURP. In the case of Rolleston, there is available land in single ownership that can be effectively and efficiently serviced and could be rapidly brought to the market. However, this outcome is being prevented by the fact that it sits outside the urban limits in the LURP. This is an artificial restriction that serves no useful purpose.

- 25 The lesson to be learnt from this exercise are the dangers of making assumptions about the availability of rezoned land and the need for flexibility in planning instruments to provide for circumstances when those assumptions prove to be incorrect.

### **Conclusion**

- 26 The submitter appreciates the opportunity to comment on the Issues Paper and looks forward to participating in future consultation on this matter.

Dated 22 December of 2014



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# APPENDIX A

**Key:**



Land in single ownership - in final development phase



Land in multiple ownership - no or very little development

