



22 December 2014

New Zealand Productivity Commission
P O Box 8036
The Terrace
Wellington 6134

RESPONSE TO THE COMMISSION'S ISSUES PAPER – USING LAND FOR HOUSING

1.0 Introduction

- 1.1 Tainui Group Holdings Limited (**TGH**) welcomes the opportunity to respond to the New Zealand Productivity Commission's issues paper – Using Land for Housing. In view of the importance of New Zealand's residential housing market to the country's economic and social fabric, we consider the Commission's action in initiating this inquiry is well founded and timely.
- 1.2 We note the issues paper invites responses to 74 specific questions. In the interests of brevity and a wish to focus on areas where we consider our input may be of most interest to the Commission, we have elected to address seven of the 74 questions.

2.0 About TGH

- 2.1 TGH and Waikato-Tainui Fisheries Limited (**WTF**) are the commercial entities of Waikato-Tainui Te Kauhanganui Incorporated, the trustee of the Waikato Raupatu Lands Trust and Waikato Raupatu River Trust.
- 2.2 TGH's role is to manage the commercial assets of the Waikato Tainui people. More than 80 percent of TGH's assets are currently in property, with a diversified investment portfolio of retail, residential, commercial, industrial and rural properties. The rental from these assets provides the bulk of our earning capacity. The combined assets of TGH and WTF stood at \$841m for the year ending 31 March 2014.
- 2.4 TGH has made and continues to make a significant investment in residential housing, primarily by way of section development and sales. In collaboration with joint venture partners, TGH recently completed a 655 section development at Huntington in north east Hamilton. TGH has additional residential developments in Huntly (33 sections), Rotokauri (over 700 sections) and Ruakura (over 150 sections).

2.5 In summary, TGH is a substantial New Zealand and tribally-owned company and a significant player in the residential housing market in Hamilton/Waikato.

3.0 TGH's response to specific questions raised in the issues paper

Q23 – Are rules consistently applied in your area? Is certainty of implementation more important than flexibility?

3.1 TGH submits the rules are not consistently applied in the areas where the company primarily operates - Hamilton City Council (**HCC**) and Waikato District Council (**WDC**) – particularly in terms of the resource consent stage of development and processes around the District Plan. The inconsistent approach to Three Waters planning including Council funding for water planning is an example. Another example is the local authorities' approach to infrastructure funding.

3.2 Certainty and flexibility are equally important. Often, inflexibility compromises certainty.

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?

3.3 TGH considers processing timeframes have resulted in unnecessary delays. One example is TGH's Hartis Avenue subdivision in Huntly where one of the WDC consenting staff lacked the experience and technical skills required to process this simple application. This issue was raised at a high level within the two organisations and it was agreed that TGH would pay for an external consultant to expedite this work at our own cost. The result of this being that the completion of the application was delayed by several months.

3.4 TGH does not anticipate the recent changes to processes timeframes will speed processes up. The HCC attempts to refuse acceptance of a resource consent application until all issues have been resolved before the application is lodged. If a consent application is successfully lodged but has some difficult issues associated with it, the Council simply issues a statutory request for further information, thus delaying the application process even further.

3.5 Developers and the Government want houses built for people desperate to live in them. This level of bureaucratic obstruction is unnecessary, frustrating and time-wasting.

Q44 – What is your experience working with the infrastructure component of the land supply system?

3.6 TGH's experience working with the infrastructure component of the land supply system has not been positive. Typically, the HCC will zone areas of land for development, but the planning and delivery of infrastructure does not follow in a timely and coordinated manner.

- 3.7 For example, stage one of TGH's Rotokauri development needs Three Waters infrastructure. HCC has expanded the stage one land area without making any additional investment in the Three Waters infrastructure necessary to service that additional land area.

Q50 – Is there evidence that territorial authority debt levels are acting a barrier to the provision of infrastructure for housing in rapidly growing areas?

- 3.8 There is plenty of evidence to demonstrate local authority debt levels are acting as a barrier to the provision of infrastructure for housing in rapidly growing areas. A prime example of this is HCC's recent decision to withhold approval of its long term plan because of debt related issues and, in so doing, preventing the timely provision of infrastructure to allow housing to develop.

Q57 – What is the likely effect of long term infrastructure strategies on the availability of land for housing?

- 3.9 This is the critical issue. Development cannot proceed without the complementary infrastructure proceeding in tandem. In Hamilton and its surrounds, the main barrier in front of timely land development is a lack of urgency by HCC, no doubt encouraged by a lack of funds.

Q58 – Do councils in high growth areas require a greater range of approaches for funding infrastructure?

- 3.10 TGH submits all local authorities, but particularly those in high growth areas, need to adopt flexible approaches to funding infrastructure, with the proviso that, in cases where funding comes from debt, the debt is prudently managed. TGH suggests HCC prioritises investment and plans accordingly in areas where there is demand - for example in Hamilton's north-west. It should not be focusing its attention on areas where there is little demand and limited employment opportunities – for example the Peacocke growth cell in Hamilton's southern area.

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

- 3.10 In TGH's experience, the use of covenants in new housing developments is extremely common. In TGH's experience, the use of covenants does not impact on supply and has limited impact on demand.

4.0 In conclusion

4.1 The Resource Management Act (**RMA**) is often used as the “whipping boy” in any debate about why New Zealand appears to be unable to meet the real and urgent demand for residential housing.

4.2 TGH considers the RMA processes are bedded down and, generally, work well. In TGH’s view, five major impediments in the way of progress in the residential sector include:

- unreasonable compliance costs faced by developers going through the subdivision process;
- high tax burden of GST and developer levies;
- overly prescriptive local government legislation and other legislation governing land development which local authorities are required to administer. There is a cumbersome regulatory regime that slows the development process to a standstill;
- lack of knowledge and expertise exhibited by local authority officials about the very legislation they are charged with administering; and
- the burden of high debt levels which prevents many local authorities from investing adequately in infrastructure to support new residential developments.

4.3 TGH commends this submission to the New Zealand Productivity Commission for its consideration. Should the Commission wish to discuss further any of the matters raised in the submission, please contact the undersigned in the first instance.

Mike Pohio

**Chief Executive Officer
Tainui Group Holdings Ltd**