



Future Proof Submission on
The New Zealand Productivity Commission's
Using Land for Housing – Issues Paper

December 2014

To:

New Zealand Productivity Commission
PO Box 8036
The Terrace
WELLINGTON 6143
E. info@productivity.govt.nz

Name of Submitter:

Future Proof Implementation Committee
c/- Ken Tremaine: Implementation Advisor
1601/18 Beach Road
Auckland Central
AUCKLAND 1010
M. 027-476-8300
E. ken@kentremaine.co.nz

Submission:

This is a submission by the Future Proof Implementation Committee on the Productivity Commission's Using Land for Housing issues paper. The content of the submission follows overleaf. We appreciate the opportunity to provide comments on the document.

Signed:A handwritten signature in black ink that reads "Ken Tremaine". The signature is written in a cursive style with a large, looping initial "K".

Ken Tremaine
Future Proof Implementation Advisor

1 Introduction

This is a submission by the Future Proof Implementation Committee (“FPIC”), the governance group responsible for implementation of the Future Proof Growth Strategy. The FPIC includes representatives from the Future Proof sub-regional councils of the Waikato Regional Council, Hamilton City Council, Waipa and Waikato Districts as well as Tāngata Whenua (Waikato-Tainui) and the New Zealand Transport Authority.

The Future Proof Strategy is a 50-year growth management vision and implementation plan which was adopted by the Strategy partners on 30 June 2009. Future Proof is currently in the implementation phase and the Strategy has been embedded in relevant statutory documents. The Strategy has been successful in providing a strategic, integrated approach to long-term planning and growth management in the sub-region.

Future Proof made a submission on the Productivity Commission’s Housing Affordability Inquiry Draft Report in February 2012¹ and there is significant overlap between these two inquiries.

Submissions on the Using Land for Housing Issues Paper are also being made by individual Future Proof Partners which cover more specific issues relating to their territorial areas or functions. This submission by Future Proof is intended to provide a high level response to the planning and development system, local authorities, international evidence, planning processes, and infrastructure for housing.

2 The Future Proof Strategy

2.1 The Future Proof Sub-Region

The ‘sub-region’ refers to the administrative areas of the territorial authorities of Hamilton City Council, Waipa District Council, and Waikato District Council, and is an area of rapid population and development growth. The Waikato Region is the fourth largest in New Zealand and is part of the ‘golden triangle’ that is Auckland, Waikato and the Bay of Plenty. The golden triangle is expected to contain 53% of the nation’s population by 2031 and account for over half of New Zealand’s total economic activity.

The Future Proof sub-region is the growth hub of the Waikato region. It is projected that the Future Proof sub-region will contain 96% of the entire Waikato Region’s population growth out to 2026.

The Future Proof Strategy seeks to provide a consistent knowledge base and vision for its partner councils and other agencies in order to plan for, and sustainably manage growth in an integrated manner. Specifically the Strategy provides a framework for co-operatively managing growth and setting goals for future implementation. This allows the costs and resources required to fund and manage infrastructure such as transport, wastewater, stormwater, recreation and cultural facilities to be identified and provided for.

¹ Future Proof Submission on The Productivity Commission’s Housing Affordability Inquiry Draft Report, February 2012

The key features of the Future Proof Strategy are:

- A focus on providing well designed, sustainable and affordable housing and lifestyle choices;
- Increased densities in new residential development and more intensive redevelopment of some existing urban areas to reduce the need for car dependency;
- Metropolitan Hamilton being a vibrant and lively place where people want to live, work and play;
- Thriving business centres in the sub-region's towns providing local housing and employment options along with a range of social and recreational activities;
- Development directed away from hazard areas;
- Green spaces (i.e. wildlife habitats, public open space and farmland) between settlements;
- Planning focused on resilience of communities and infrastructure while moving towards highly energy efficient devices and low carbon emissions;
- Protection of future infrastructure corridors, energy generation sites and mineral deposits;
- Protection of versatile and productive farmland by directing rural-residential and residential development and business land closer to towns and villages. This will also assist in reducing reverse sensitivity issues;
- Identification, planned maintenance and enhancement of biodiversity areas, clusters and corridors;
- Integrated transport and land-use planning;
- The values, principles, aspirations, role, responsibility and place of tāngata whenua in the sub-region;
- Development of key transport corridors; and
- Recognition of and support for protection of strategic nationally and regionally important service and businesses.

2.2 Land Supply and Housing in the Future Proof Sub-Region

The Hamilton City Council and Waikato District Council are two of the ten territorial authorities identified by the Commission, having the largest population increase between 2001 and 2013. Medium projections for the Waikato District indicate a population of around 82,733 in 2013 (+27.5% over 2013-2033)². For Hamilton City projected numbers are 190,744 in 2033 (+29.5%). Despite this growth, the Waikato District Council and Hamilton City Council do not believe they have an affordable housing problem or a shortage of zoned land. These councils, along with the Waipa District Council are exhibiting good policies and practices in making land available for housing, as explained below.

Future Proof supports managed growth through the Future Proof Settlement Pattern, and implementing urban limits through the Regional Policy Statement. This enables local authorities to focus on the efficient delivery of their services. The Future Proof Settlement Pattern describes how the sub-region should develop in a unified and sustainable way with the aim for a more compact urban footprint. The Settlement Pattern is made up of key growth areas that have been identified within Hamilton City, Waipa District and Waikato District. Key principles of the Settlement Pattern include:

² Jackson, N.O., Cameron, M. and Cochrane, B. (2014). 2014 Review of Demographic, Households and Labour Force Projections for the Future Proof Sub-Region for the Period 2013-2063

- Higher-density urban development in suitable locations is a strong aim accepting that increased infrastructure costs and community resistance are challenges.
- Staging and timing for residential and business land will be needed across the three territorial authorities so that there is an integrated picture.
- Infrastructure costs will be a factor in determining the settlement pattern.
- In rural areas, development around existing nodes is preferred. Dispersed ad hoc development is to be discouraged.

The Future Proof Strategy identifies the use of urban limits as an important tool in successfully managing the growth that is occurring in the sub-region. Policies on urban limits contain provisions which ensure that enough land is available to accommodate the estimated population growth and ensure that this is synchronised with the provision and funding of infrastructure. The certainty provided by defining urban limits helps plan and coordinate infrastructure, saving the community considerable cost.

The Future Proof Strategy contains policies for intensification within the urban limits (infill) as well as Greenfields development in the key growth areas. Hamilton City Council, Waipa District Council and Waikato District Council have undertaken plan changes to ensure infill/intensification of existing housing areas is enabled. Future Proof and the Hamilton City Council have facilitated several growth areas, namely Peacocke, Rototuna and Rotokauri, where a considerable amount of Greenfield development has, and will continue to occur. Also, the Waikato District Council has either zoned or is in the process of zoning land in Tuakau and Pokeno to cater for these growth areas.

3 Using Land for Housing Issues Paper – Questions

Future Proof has responded to several of the questions in the issues paper that are relevant to the Future Proof project and to the sub-region.

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?

It is Future Proof's view that increasing supply of development capacity will not lead to an increased supply of affordable housing. Housing affordability is a complex issue and to equate land supply with affordable housing is overly simplistic.

The Future Proof Strategy has identified the following issues for affordable housing in the sub-region:

- Inability of the affordable housing market to compete for resources.
- The influence of employment, wage rates and transport costs on housing affordability.
- Land banking by developers can prevent residential land from coming on to the market.
- Lack of subsidies or other tools means councils and developers must bear the full cost of providing infrastructure.
- The market does not always provide the range of housing types needed, for example smaller homes and apartments. Whilst not exclusively, new housing developments tend to be in the middle to upper end of the market (four to five bedroom houses) with fewer smaller or apartment style developments.

- Compliance and development contribution costs for developers.

Providing housing choice is a key outcome of the Future Proof Strategy. The Strategy takes the following key approaches and contains actions in order to help address the affordable housing issue:

- Encourage the market to provide a wider housing choice through the development of smaller homes and/or apartments.
- Engage with central government to secure investment in the redevelopment of and renewal of public housing.
- Advocate to central government and other agencies with regards to affordable housing provision in the sub-region.
- Undertake a housing needs assessment and affordable housing policy.

Given the range of factors contributing to the issues around affordable housing, we do not believe that zoning more land for housing will address issues of housing affordability. Additionally, and very significantly for territorial authorities, if more land for residential development is zoned in an attempt to reduce house prices, councils will incur significant capital costs in servicing this land with water, wastewater and stormwater networks, roads, reserves and community infrastructure. It is not financially sustainable to have total market freedom for growth locations. Councils already face challenges by the cost of infrastructure to service growth (see Q44 below). This capital expenditure and its related financing costs would then have to be recovered through increased development contributions. If there is no corresponding reduction in land prices the zoning of more land for developing may actually lead to a further deterioration in housing affordability.

Q7: What policies and practices from other countries offer useful lessons for improving the supply of effective land for housing in New Zealand?

Housing affordability and provision within the United Kingdom, appears to be being addressed with a far more comprehensive response than in New Zealand. This response includes planning measures (i.e. through the equivalent of District Plans and Regional Policy Statements) but more importantly, also through a housing provision and funding structure, which provides a range of affordable housing outcomes and can deliver new homes, even when market conditions are not as favourable as those required by private developers.

In the UK, although, local councils are still a main provider of affordable housing, this tends to be older housing stock and is what is called 'social rent housing'. This type of housing provides for very low income tenants and has parallels to Housing Corporation housing within New Zealand. However, newer affordable housing stock is now more likely to be provided by either by private developers, or housing associations. All housing providers are responsible for the delivery of affordable housing.

Housing associations are private, non-profit organisations, which provide social rent housing, intermediate housing, key worker housing, rent to own and also private housing stock. The fact housing associations can provide private housing, is a way of off-setting the costs of some of the affordable housing provision, but they also receive central government funding for the case of the wider UK (London has recently developed different arrangements). It is both the funding and the provision of private housing that allows the housing associations to compete with private developers, in the assembly of land and the cost of development. It is noted that in post-GFC London, it was housing associations which were particularly active in housing provision.

Intermediate housing allows people who have an income too high for 'social housing' but too low to easily enter the private housing ladder to jointly own homes with a housing association. This type of mixed tenure allows a greater range of people to enter the housing market, without competition from those who 'buy to let' or have much higher incomes.

Importantly, this mixed tenure model defines housing types and income levels, and includes a definition of genuine affordability, when measured against the cost of true market housing. This housing is genuinely affordable over its lifespan, and not just for the first person to buy it and that the benefits are inter-generational. This structure is far more sensitive and can deliver affordable housing to those that need it the most, and is more responsive than simply assuming that more land will make housing more affordable.

This housing supply model is also supported by planning provisions which apply to all housing developers, not just housing associations. The equivalent of District Plan provisions, require a certain proportion of all new housing to be provided as affordable, i.e. a developer proposes a 200 unit scheme, could have to provide 50% affordable, using clear, prescribed definitions of what affordable means and who it will be available to. The aim is to have mixed tenure schemes, which include private, intermediate and social housing.

District Plan provisions also require a particular mix of housing types, dependent on the local needs of the areas. For example, defined proportions of one, two, three bed apartments and three to four plus bedroom houses must be provided. The proportions are based on local needs assessments, with the aim to make housing more affordable. While such planning interventions may not suit New Zealanders (wanting their own home with a backyard), such aspirations and with few other choices in housing stock, appear to have contributed to the affordability issue currently present in places like Auckland.

The Mayor of London has recently released a new Housing Strategy which includes within it a suite of measures for increasing provision and affordability (http://www.london.gov.uk/sites/default/files/Housing%20Strategy%202014%20report_low_resFA.pdf). While this does include making new land available in the longer term, its primary focus is around a host of other measures which seek to increase the number of homes being built and to help lower income people or families enter the market.

Another key difference in the UK is that infrastructure provision is generally not provided by local authorities. Water and wastewater in particular, which have high upfront costs for developers, are privately provided and servicing arrangements generally do not involve local authorities; this is all left for developers and infrastructure providers to figure out amongst themselves. Anecdotally, this appears to encourage only the big players to get involved in the development of, for example, large subdivisions or housing developments, as there has to be a critical mass of new development to make the provision of such infrastructure affordable.

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 the land? Are there any good examples of supply and demand forecasts?

The Future Proof Strategy was developed using a detailed analysis of population projections within the sub-region out to 2061. It was this information that informed residential land allocations to ensure that there is enough land identified to accommodate approximately 50 years of residential growth.

Most of the growth has been allocated to the identified Future Proof growth areas. These areas focus on Hamilton City and the towns and rural villages of Waikato and Waipa Districts. The majority of the growth is concentrated in Hamilton City which will contain 67% of sub-regional growth by 2061. The total residential population allocated to the Future Proof sub-region is 437,700 by 2061.

The population projections were prepared by the National Institute of Demographic and Economic Analyst (NIDEA) at the University of Waikato. The allocation and staging of this residential growth was influenced by the preferred settlement pattern. Future Proof also contracted NIDEA to develop a revised set of demographic projections based on the 2013 Census for the Future Proof sub-region. The revised projections will be used for both strategic and district/city level planning for land use, facilities and infrastructure.

It is recognised that the population projection is not an exact science and accordingly not a forecast. The population projection is a scenario of the future population for a given area, based on demographic assumptions that relate to births, deaths, and migration and has proved a helpful basis for identifying land needs.

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?

And 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?

Several councils have developed growth strategies, including Future Proof, under the Local Government Act 2002. These strategies provide a framework for co-operatively managing growth and assisting decision making, but they do not have explicit weighting in law under the current system.

The Future Proof Strategy was prepared under the Local Government Act 2002, through a consultative process whereby the community had the opportunity to provide feedback. The Strategy was then implemented through numerous statutory documents including the Waikato Regional Policy Statement, Waikato Regional Land Transport Plan, New Zealand Transport Authority's programmes and strategies, partner council's district plans, policies and bylaws, long term council community plans, and tāngata whenua plans and strategies. Future Proof successfully integrated the Strategy into these statutory documents, but this required significant effort (time and resources), in particular, delaying the outcomes of the Strategy. Although the Strategy went through considerable consultation with the community, the RMA required a separate consultation process to embed it into statutory documents.

Future Proof agrees that the New Zealand planning and development system appears to impede integrated decision making (Issues Paper, pg. 33). Further, the urban environment is not adequately recognised in the RMA and the planning system is complex. Future Proof supports a planning process whereby strategies such as Future Proof are:

- Embedded into statutory documents in a streamlined process (adopted faster) without the duplication of planning processes; or
- Given legal status under the RMA.

Q19: What impact does transport planning have on the supply of development capacity.

Transport has a significant impact on land use planning and development, and there is an increasing desire to produce better land-use and transport outcomes that complement one another. A ‘predict and provide’ approach to transport provision is no longer feasible. Transport activities fully integrated with land-use plans is the preferred approach.

The Future Proof Strategy puts in place the settlement pattern which enables integration with transport projects in a sustainable and co-ordinated manner. Key reasons for taking a more co-ordinated approach to land-use and transport planning include:

- Optimising the use of networks
- Extending the life of existing transport projects
- Achieving a shift from cars to more sustainable modes of travel
- Managing travel demand
- Achieving better transport outcomes
- The increasing cost of transport infrastructure, particularly roading
- Pressure on the national land transport fund
- Greater awareness of the costs of growth
- Move toward long-term planning and strategic thinking
- Move away from unsustainable land-use patterns
- An increased focus on urban design
- Achieving development densities which can support public transport, walking and cycling

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

One of the key themes in the Future Proof Strategy is ‘affordable and sustainable infrastructure’. This theme has an emphasis on the provision of innovative, efficient, effective and sustainable infrastructure. It is also about innovative funding methods to bridge the gap between cost and affordability and that the costs of growth are met through funding methods that are fairly apportioned to the costs of development.

The provision of infrastructure services needs to occur at a rate that provides capacity and minimises any adverse environmental effects. The form of development influences costs and, generally, a more compact form of development will incur lower infrastructure costs. An important consideration is achieving efficiency in infrastructure provision by ensuring capacity is taken up prior to further investment. In addition, while having several development areas open at once provides a wide choice in housing opportunities, this must be balanced against overall affordability and ability to fund.

The Future Proof sub-region is growing rapidly. This has associated implications for infrastructure. While zoned residential land is available, the land is not serviced and ‘shovel ready’, which is an issue of both funding and financing. For example the Hamilton City Council’s existing water, wastewater and transport infrastructure is already operating near capacity. The Council has little scope to increase its development contribution charges as they are amongst the highest in the country and its debt limits are such that providing infrastructure to new areas of land in advance is not feasible.

This issue was identified in the Future Proof Strategy, amongst others, for affordable housing in the sub-region:

- Lack of subsidies or other tools means councils and developers must bear the full cost of providing infrastructure.

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

Future Proof agrees that the approaches available to fund infrastructure in higher-growth areas are limited and that alternatives are required (Issues Paper, pg. 54). Future Proof believes that local authorities in high growth-areas would benefit from central government assistance to deliver infrastructure (e.g. regional infrastructure funding source).

3.1 Summary of Main Submission Points

In short, Future Proof's submission makes the following key points in response to the Using Land for Housing Issues Paper:

- The Future Proof councils, through the Future Proof Strategy, are exhibiting good policies and practices in making land available (infill and Greenfields) for housing in key growth areas.
- Housing affordability is a complex issue and to equate land supply with affordably housing is overly simplistic. There are a range of other issues, in particular land banking by developers, lack of housing types, and infrastructure costs.
- In the United Kingdom, we note a more comprehensive approach to affordable housing and generally housing provision, which includes responses from Central and local governments, and the development community.
- Future Proof supports a planning process whereby strategies such as Future Proof are embedded into statutory documents in a streamlined process without the duplication of planning processes or given legal status under the RMA.
- Transport has a significant impact on land use planning and development. Transport activities should be fully integrated with land-use plans to effectively manage growth and optimise the transport network.
- The Future Proof councils are challenged by the cost of infrastructure to service growth. Local authorities in high growth-areas would benefit from central government assistance to deliver infrastructure.