



Submission on

The Productivity Commission's

Housing Affordability inquiry draft report

10 February 2012

Introduction

The New Zealand Planning Institute (NZPI) welcomes the opportunity to provide comment on the Productivity Commission's Housing Affordability inquiry draft report. NZPI recognises that access to affordable housing is fundamental for New Zealanders' economic and social growth and wellbeing. Lack of affordable housing affordability is a complex, ongoing, systemic problem in New Zealand. NZPI supports research into housing affordability that examines the range of drivers, with a view to providing suggestions for effective and appropriate policy improvements.

About NZPI

Established in 1949, NZPI is the professional organisation representing planners and planning practitioners throughout New Zealand. NZPI's purpose is to provide learning, support, knowledge, and advocacy for planning professionals within New Zealand. NZPI membership is broad, and individuals within our organisation have a varied range of opinions and experiences which helped to inform this submission.

NZPI's interest in housing affordability

The NZPI has a significant interest in housing affordability, with many of our members working in research, policy development, or planning with a view to delivering affordable housing for New Zealanders. NZPI submitted on the Commerce Select Committee's Inquiry into Housing Affordability in New Zealand in 2007, and the June 2008 issue of our Planning Quarterly journal was dedicated to affordable housing. Planners have an ongoing role to play in addressing housing affordability, and NZPI believes it is timely to review existing policies within the current context.

NZPI supports the Commission's inquiry in its efforts to understand and deliver policy and interventions that will facilitate affordable housing for New Zealanders. The Commission noted throughout its report the numerous complexities and sticking points in diagnosing the problems. The Commission's inquiry is a genuine opportunity to better understand the issues. However, NZPI would like to see a more detailed investigation into the full range of drivers and complexities that affect housing affordability.

NZPI recommends that:

- 1) The Commission examines a wider range of recent New Zealand and overseas available research, and provides further, more complete analysis of that research in its final report.
- 2) The Commission more clearly demonstrates links between recommendations and analysis, in particular the relationship between compact growth and housing affordability.

NZPI's submission also provides feedback on the following particular aspects of the report:

- Methodology and approach
- Policy context
- The Role of Planning

Methodology and approach

The purpose of the report is for the Commission to provide “suggestions for effective policy improvements”. Housing affordability is recognised as extremely complex in nature. Housing affordability experts in the field contend that housing markets are volatile, and the issues are difficult to resolve in both urban and rural areas. Because of the systemic complexity underpinning the lack of housing affordability, a range of appropriate tools is needed. This includes a range of targeted but collective policies ranging from monetary policy to planning policy that provides holistic, sustainable solutions.

NZPI is concerned that the Commission has begun recommending solutions in the draft report, based on particular assumptions, before the range of issues and drivers are fully understood. At times the Commission's report refers to anecdotes received from submissions rather than evidence based on trends or patterns.

The Commission frequently relies on the submissions received during the initial stages of the inquiry. This may have provided the Commission with useful information. However, it is concerning that the Commission may have used them for the basis of the report's recommendations prior to completing a thorough research based approach of a wide range of New Zealand and overseas evidence and research. As an example, there is considerably more research available by research bodies such as the Centre for Housing Research New Zealand (CHRANZ), than appear in the report.

Recommendation: That the Commission endeavours to draw its evidence from a wider range of both New Zealand and overseas research and rely less on potentially biased statements made in the submission process.

Policy context

To provide the most appropriate suggestions for housing affordability policy improvements, it is critical that in the first instance the Commission undertakes a scan of the current policy landscape. According to the report, “the context of this inquiry is a concern about distortions in the NZ housing market that have led rising to house prices and declining affordability” (p4). But while housing affordability may be currently topical, it has been an ongoing problem, and hence a concern of policy makers.

In recent years central government has attempted to address the problems through policy or legislative interventions, most notably through the 2007 Commerce Select Committee's Inquiry into Housing Affordability, and Affordable Housing: Enabling Territorial Authorities Bill introduced in 2007. It is concerning that the Commission has not looked at the depth and

breadth of information publicly available from these, missing out on an opportunity to examine two of New Zealand's most significant policy interventions in the past 5 years. While spatial planning, for example, is a significant policy intervention, it has been in place too briefly for the outcomes to be revealed.

Recommendation: That the Commission thoroughly reviews policy interventions undertaken to address housing affordability issues in New Zealand, and examines their relative merits.

The Role of Planning

Planning myths and assumptions

NZPI urges the Commission to more fully understand land use planning and the role of planners, with regards to Chapter 7: Urban Planning and housing affordability. Rather than acknowledging the complexities of planning, the history of planning as outlined in the report is simplistic and overlooks that planners have always dealt with complex issues ranging from managing land use conflict to ensuring a good quality of life. NZPI recommends that the Commission focuses on the actual role of planning in shaping the built environment rather than on planning history.

As mentioned in the report urban planning requires consideration of a wide range of objectives. This is true not just of urban planning, but of all planning. Planners do not work in isolation, but rather with other professionals to solve complex planning problems. This is done with regard to current policies and within legislative frameworks, often with multiple objectives such as the Local Government Act 2002 (the four well-beings) and the Resource Management Act 1991 (sustainable management).

The relationship between planning and housing affordability is often misunderstood, both in New Zealand and overseas. In the UK, for example, the myth that planning drives up house prices is so prevalent that the Royal Town Planning Institute has initiated a campaign by compiling recent, relevant research to better educate the public, the media, and policy makers¹.

Deconstraining land

The Commission's recommendations in Chapter 7 are too frequently based on statements made in submissions that lack robust evidential basis, and this needs to be challenged. While this chapter raises a number of valid issues, it would prove more useful if it thoroughly addressed areas such as third party rights, private plan changes, consenting and processing costs, time delays, over regulation, school zoning and land banking.

NZPI remains unconvinced that an immediate release in land for development will provide a long term, sustainable solution to the New Zealand's lack of affordable housing. As the Commission noted, the affordability of housing is not just the cost of land, the dwelling, or the

¹ Planning Myth – Housing, November 2011, Royal Town Planning Institute.
Available at <http://www.rtpi.org.uk/item/4798>

rent, but rather the one's ability to pay for it. The Commission's recommendation to remove land constraints around Auckland may lead to a temporary increase in land affordability. However, in the long term additional costs, such as the additional infrastructure required, will be borne by homebuyers or renters and Councils through rate increases, not developers or policy makers.

While the Commission does not solely recommend deconstraining land in the major centres, there is considerable focus on this due to the acute problem and relatively large proportion of New Zealand residents in these areas. However, this begs the question of why there is still a considerable affordable housing problem in areas where adequate land is available.

Recommendations:

1. That the Commission more adequately understands the complexity of the planning process to provide more substantial recommendations.
2. That recommendations provided by the Commission address long term systemic problems both in the main centres and throughout New Zealand.

Conclusion

NZPI appreciates the opportunity to comment on the Productivity Commission's Housing Affordability inquiry draft report. NZPI looks forward to a subsequent draft that will be more robust in its research and evaluation of data in order to build a case based in evidence.

NZPI wishes to be heard in relation to this submission. We would also welcome the opportunity to meet with members of the Commission outside of the submission process to discuss our concerns more fully. Should you have any queries regarding the above submission content, please contact either of the following:

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Yours faithfully,



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