



SmartGrowth

Managing Growth in the Western Bay

live work play

SmartGrowth Submission on
*The Productivity Commission's
Housing Affordability Inquiry Draft Report*

February 2012



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To:

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Submission:

This is a submission by the SmartGrowth Implementation Committee on the Productivity Commission's **Housing Affordability Inquiry** draft report. The content of the submission follows overleaf. We appreciate the opportunity to provide comments on the document.

Signed:

Bill Wasley
Independent Chair - SmartGrowth Implementation Committee

1. Introduction

This submission is presented on behalf of the SmartGrowth Implementation Committee (“SmartGrowth”), a joint committee of the Bay of Plenty Regional Council, Tauranga City Council, the Western Bay of Plenty District Council and Tangata Whenua. The Committee is responsible for overseeing the implementation of the SmartGrowth Strategy, a 50 year growth management and implementation plan for the western Bay of Plenty sub-region.¹

SmartGrowth is a collaborative model for responding to growth management issues. It is a voluntary, cooperative arrangement built on understanding, agreement and a commitment to agreed outcomes. A key factor in the success of the SmartGrowth Strategy has been its long-term commitment to collaboration and implementation between agencies along with broad community support and effective central government engagement.

The name “Smart Growth” was identified at the start of the project as a positive, easily understandable, appealing, and memorable term. A concept that could be owned by the sub-regional community; not just local government. The term “SmartGrowth” was therefore adopted to ‘brand’ the sub-region’s growth management strategy. While the SmartGrowth Strategy borrows the name and shares some of the same concerns of the US “Smart Growth” movement, that is where the similarities end. SmartGrowth is a non-ideological, pragmatic, local strategic planning response to managing growth in the western Bay of Plenty sub-region.

The SmartGrowth Implementation Committee is supportive of initiatives to better understand the housing affordability issue in New Zealand as this is a key part of managing growth. However, we are of the view that it is a complicated area and there are no single or simple solutions to the problem.

The Western Bay of Plenty Housing Affordability Forum and Tauranga City Council have submitted on the Productivity Commission’s Housing Affordability Inquiry draft report (“the Report”) and SmartGrowth supports the points made in those submissions.

SmartGrowth is happy to work with the Productivity Commission on some or all of the matters raised in this submission and to discuss any of those matters further.

¹ The western Bay of Plenty sub-region covers the territorial areas of the Western Bay of Plenty District Council and Tauranga City Council.

2. The SmartGrowth Strategy

2.1 Western Bay of Plenty Context

The western Bay of Plenty sub-region encompasses both the Western Bay of Plenty District and Tauranga City. The sub-region is an area of rapid population growth. Currently the area contains 3.4% of the nation's population. The population is projected to be 198,000 by 2021, and 284,000 in 2051. The sub-region looks set to become the fourth or fifth most populated region in New Zealand.

The SmartGrowth Strategy was adopted by the partner councils (Bay of Plenty Regional Council, Tauranga City Council, and the Western Bay of Plenty District Council) in 2004. The goal was to prepare an agreed strategy for the western Bay of Plenty sub-region to make provision for sustainable urban and rural development, specifically for the next 20 years and generally for the next 50 years. The SmartGrowth Strategy was reviewed in 2007.

2.2 Strategy Focus

An important feature of SmartGrowth is to provide a wide range of lifestyle choices. The vision for the western Bay of Plenty by the year 2050 is of a unique sub-region which has enhanced the lifestyles of its communities and provided for the needs of the people. Part of this vision is the implementation of an efficient and integrated planning process for growth management.

SmartGrowth supports a fundamental shift in growth management from focusing largely on accommodating low-density suburban residential development to supporting a compact and balanced "live, work, and play" concept. "Live, work, and play" emphasises the importance of a liveable urban environment.

A key feature of the SmartGrowth Strategy is its integrated planning approach. This advocates that land use planning should be contemporaneous with infrastructure provision and equitable funding. The aim of this approach is to reduce the potential costs of growth on communities now and in future as the sub-region grows.

The SmartGrowth Strategy reinforces the importance of familiar issues like the location of housing and employment and their impact on transportation networks and the need to protect versatile land resources that provide a strong base for the sub-region's economy. The Strategy highlights the need to address

areas that have not traditionally been part of growth management in the sub-region such as the provision of affordable housing.

2.3 Housing Affordability in the Western Bay of Plenty Sub-region

The sub-region's rapid growth has meant significant increases in its housing costs. The population of the western Bay of Plenty in 2001 was 130,000 and predicted to increase to 198,000 by 2021 and 286,000 by 2051.² Household structures are also changing as a result with traditional families forecasted to double in number by 2051 while single-and two-person households will treble.³ These changes in light of escalating property prices have put further economic pressure on New Zealanders, particularly working families. This is the situation in all of the faster growing areas in New Zealand.

Housing affordability is now the most difficult it has been as wages in the sub-region have not increased in line with house prices. In 2006 the median sale price of a house in Tauranga City was \$331,500. This had increased to \$370,000 by April 2007.⁴ However, wages in Tauranga City remained the same over that period.

In 2004, Tauranga was listed as being one of the local authorities with the highest house price to income ratio.⁵ In 2009, the Tauranga / Western Bay of Plenty area was assessed in the Demographia International Housing Affordability Survey as 'severely unaffordable' with a rating of 6.6. The Tauranga / Western Bay of Plenty housing market was the least affordable of the New Zealand cities surveyed⁶ for that year. For 2011, the Tauranga / Western Bay of Plenty area is listed as being severely unaffordable and ranks as the third most expensive metropolitan area in New Zealand.⁷ Tauranga City therefore has a high percentage of households that are unable to afford a home.

Given that Tauranga City is the sub-region's major population growth area, and that wage rates for the sub-region generally remain below the national average⁸, the polarity of affordable housing and income is an issue. From a growth management perspective, SmartGrowth has implemented actions which focus on providing development certainty through an adequate supply of zoned and serviced land for future

² See the Forecasts of growth in population and households chart at 1.5 of this submission.

³ Statistics New Zealand, *Statistics on Housing Affordability Report*, 13 March 2006.

⁴ REINZ Market Facts – median sale price – Tauranga May 2006-April 2007.

⁵ Housing New Zealand Corporation (2004), *Local Measures of the Ability of Working Households to Become Home Owners in New Zealand*. Housing New Zealand Table 1 report ratio: Tauranga District in 2001:4.60 house price to income ratio, in 1991 it was 3.36 house price to income ratio.

⁶ 5th Annual Demographia International Housing Affordability Survey, 2009, Ratings for Metropolitan Markets

⁷ 8th Annual Demographia International Housing Affordability Survey, 2012, Ratings for Metropolitan Markets

⁸ Statistics New Zealand, *Statistics on Housing Affordability Report*, 13 March 2006.

development. By providing development certainty the Council partners can also plan and fund the timely provision of infrastructure.

SmartGrowth has developed a number of initiatives in order to address the housing affordability issue. Such initiatives include:

- The establishment of the Western Bay of Plenty Housing Affordability Forum – a working group established in 2008 to investigate the development of more affordable housing solutions for the Western Bay of Plenty sub-region.
- Work on development feasibility.
- Ensuring there is an adequate supply of land through land release and sequencing this with infrastructure provision.
- Māori Housing Toolkit – a toolkit designed to assist Māori to develop papakainga proposals on multiple owned Māori land.

The SmartGrowth Strategy comprises the following principles⁹ in terms of affordable housing:

- To have sufficient affordable housing which provides for low income residents as well as supporting the sub-region's future labour force.
- General acceptance that without Local or Central Government intervention, the market will be unable to provide adequate affordable housing.
- That Central Government has the primary responsibility of providing social housing.
- That residents' different spatial and cultural needs are recognised.
- That affordable housing provides security and enhances the well-being of the community.
- Affordable housing to be well designed and well presented, and a source of pride for owners and occupiers.
- Affordable Housing is constructed from quality materials that last.

⁹ SmartGrowth Strategy and Implementation Plan May 2007, p. 129.

3. The Housing Affordability Inquiry Report

3.1 General Comment

Housing affordability is a complex issue with many contributing factors. There have been a number of other housing affordability initiatives in recent times, such as the Commerce Select Committee Inquiry into Housing Affordability in 2007, the Affordable Housing: Enabling Territorial Authorities Act 2008 which was subsequently repealed, and a number of research projects and studies into the issue undertaken by the Housing New Zealand Corporation and the Centre for Housing Research.

On reading the Report, SmartGrowth considers that the complexity of the issue is not borne out in Commission's recommendations. We are particularly concerned about the recommendations relating to urban planning as these appear to be overly simplistic and have the potential to create significant issues for local government, its communities and the management of growth. These recommendations are not cognisant of the local government operating environment or the realities of managing growth in the New Zealand planning context.

SmartGrowth submits that rising house prices and a decline in housing affordability are not solely due to restraints on land supply or planning policy. These form a small part within the wider context of:

- significant population growth,
- market influences on land and housing prices, and
- low or stagnant wage rates.

Managing future urban growth through strategies such as SmartGrowth is not causing reduced land supply or rising land prices in the western Bay of Plenty sub-region.

SmartGrowth submits that the pressures for more affordable housing nationally and sub-regionally are a direct consequence of population growth and the formation of new households. SmartGrowth is managing this growth through an integrated planning approach so as to reduce the potential costs on the general ratepayer now and in future as the sub-region grows.

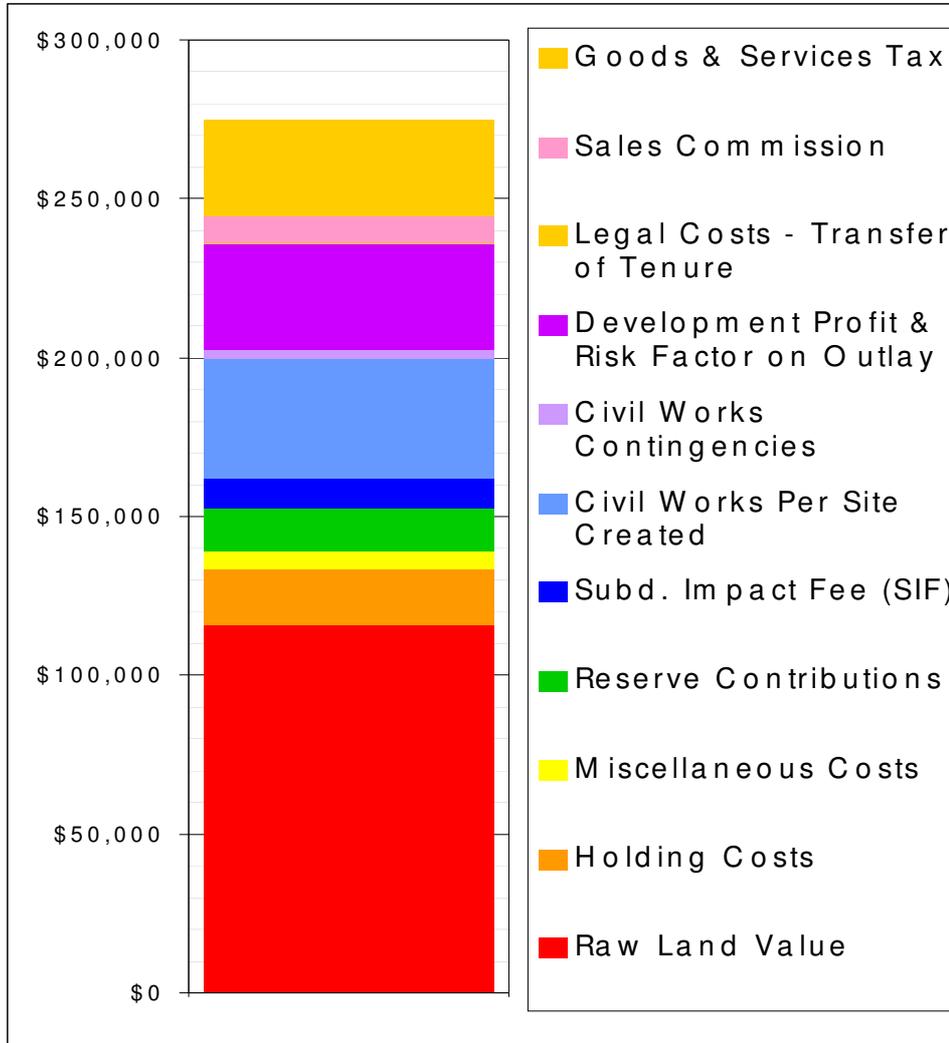
SmartGrowth acknowledges that several interrelated factors contribute to housing affordability and that they vary in degree between cities and regions. They include (but are not limited to):¹⁰

- Income (the ability to meet housing costs and/or save to purchase a house);
- Rents and house prices (level of payment required);
- Finance (cost and availability of credit to borrow to purchase a house);
- Demographic factors (household formation rate and migration inflows);
- Labour market conditions (income security and wage/salary rates).
- Supply factors (rental stock, 'first-purchase' housing stock, new buildings, and vacant developable/sub-dividable land).

As the Commission's report has noted, the rising price of land is one of the main contributions to the housing affordability issue. However, there are a number of costs that make up a house price. The following table¹¹ illustrates this by showing a Tauranga City example of the indicative proportion of costs for each of the elements that contribute to housing prices (note that actual proportions will vary by development):

¹⁰ Centre for Housing Research Aotearoa New Zealand (CHRANZ), *Affordable Housing in New Zealand, Prepared for the National Summit – Affordable Housing*, 30 October 2006, Wellington, p.3.

¹¹ *Housing Stock and Housing Demand*, Tauranga City Council, November 2009, at page 21



There are a number of issues contributing to the housing affordability issue in New Zealand at present. Work completed for Tauranga City¹² has shown such issues to include:

- Declining affordability due to less housing stock in the less than \$400,000 bracket.
- Housing type not reflective of the changing demographic profile – for example insufficient supply in the one and two bedroom market.
- Housing supply and section size not reflective of the affordability profile in Tauranga.

¹² *Housing Stock and Housing Demand*, Tauranga City Council, November 2009, at page 26

- Land values increasing significantly since 1997 which is having a marked impact on affordability.

In Tauranga City there is sufficient zoned and serviced residential land supply. The key causes of the issues have been identified as being:¹³

- Developers tending to focus on the short term, and only those market segments that are profitable within the life of their proposed development.
- A narrow product range being delivered by the marketplace because of perceived risk by the developers.
- Size of land section delivered through the market. This is driven by developers' views of market need, minimum building value covenants, and District (City) Plan provisions which restrict the ability to reduce section sizes. The larger the section size, the higher the land value and consequently more expensive homes of a large size in an effort not to undercapitalise on the section value.

SmartGrowth is concerned that the Commission's Report has not focused on demand side solutions to the affordable housing issue. If there is to be a comprehensive and enduring response to housing affordability then both supply and demand issues must be addressed.

3.2 Urban Planning and Housing Affordability

SmartGrowth has a particular interest in the Urban Planning and Housing Affordability section of the Commission's report.

SmartGrowth notes that in the Auckland region, affordable housing issues have been partly attributed to the implementation of growth management policies such as urban limits. It is SmartGrowth's submission that growth and development are multi-faceted issues that arise from a combination of the factors outlined in section 3.1 of this submission. Therefore the implementation of urban limits is neither the sole nor the main driver behind reduced land supply, or rising land and housing prices. Affordable housing issues are more complex than that.

SmartGrowth views the implementation of urban limits as an important tool in successfully managing the rapid growth that is occurring in the sub-region. Policies on urban limits contain provisions which ensure

¹³ Ibid

that enough land is available to accommodate the estimated population growth at the right time and in the right location relative to the provision and funding of infrastructure. By defining urban limits, Councils can put in place a servicing strategy and development plan for a region.

The SmartGrowth approach is about making the linkages between growth, the timely provision of infrastructure, and funding. The implementation of urban limits assists with this linkage.

The Commission's finding that the prevailing principles and practice of urban planning has a negative influence on housing affordability in our faster growing cities is problematic. The evidence to support this claim is somewhat lacking in the report. The implication of the findings is that if more land is released housing will become affordable. That is over simplistic and could potentially lead to more problems than it will solve.

The Commission's recommendations for territorial authorities to take a less constrained approach and to adopt a strategy that allows for both intensification within existing urban boundaries and orderly expansion beyond them, is largely already occurring. Most growth strategies contain policies for intensification with the urban area as well as greenfields development in key growth areas.

Councils are required by legislation to take an integrated approach to planning and not merely just zone more land. The legislation emphasises the need for an agreed and sustainable land use pattern that is integrated with infrastructure. This is evident in the Resource Management Act 1991 ("RMA 1991"), the Local Government Act 2002 ("LGA 2002") and the Land Transport Management Act 2003 ("LTMA 2003"). These statutes show a clear intention of:

- Integrating land use and infrastructure (a regional council function in the RMA 1991, the LTMA 2003)
- Planning for growth (the impact of growth on infrastructure under the LGA 2002)
- Long term planning and investment (LGA 2002 and LTMA 2003)
- The impact of land use on transport and vice versa (LTMA 2003)

The implementation of urban limits is an agreed land use pattern. Land sequencing and its release for residential and business development is an agreed land use pattern facilitated through the implementation of urban limits. Therefore, growth management policies like those contained in the SmartGrowth Strategy which include the use of urban limits have had the following positive benefits:

- Integration of land-use, infrastructure, and funding
- Establishing clear links between the future land required to successfully accommodate growth
- Identifying existing and future infrastructure, possible costs and an equitable approach to future funding. Without this approach being taken there would be less certainty of development location, timing and costs. Also growth must pay for growth and not be imposed on existing ratepayers. In order for a local authority to forward-fund trunk infrastructure, it needs to ensure that development does not proceed in too many locations at any one time and that it can recover its investment in a manner that does not impact on the ratepayers.
- Ensuring that development does not occur in sensitive environmental or amenity areas.
- Optimising the use and capacity of existing infrastructure.
- Supporting more sustainable transport modes such as public transport through a more compact urban form.
- Encouraging a range of housing choice and style to meet the varied needs of the population.

Given the costs of providing and funding the bulk, public infrastructure necessary to support growth, until these costs are able to be fully recovered from developers, it is not financially sustainable to have total market freedom for growth locations. Specific growth areas must be identified and services designed in a manner that supports the future land use pattern. These services are often planned and funding methods put in place through a council's funding policies under its long-term plan in advance of construction as new areas are rezoned. Unless infrastructure needs and benefits are clearly identified, it is not possible to recover the costs of these from the development community. Opening up large tracts of land puts territorial authorities in a potentially financially unsustainable position.

Land Supply

SmartGrowth notes the Report's particular interest on the effect of land restraints on land supply and land prices. Following extensive research, SmartGrowth reiterates that a range of factors, often national and sometimes international in origin, like migration¹⁴ for example, drive growth rates and effect land prices.

From experience, it is SmartGrowth's submission that land supply is as much about providing more land for Greenfield development as it is about intensifying particular areas for residential development like the

¹⁴ SmartGrowth Strategy and Implementation Plan May 2007, p. 24.

Tauranga City CBD for example.¹⁵ SmartGrowth includes several growth areas like Papamoa East, where a considerable amount of Greenfield development will be concentrated. This approach consolidates urban development to particular areas and leaves the horticultural land in between growth areas productive and free from urban sprawl or ad-hoc development.¹⁶ It also enables effective stormwater management of the catchments that feed into Tauranga Harbour and the open coast so that there are ecological and recreational benefits.

SmartGrowth also notes that ensuring that there is an agreed land use pattern facilitates better transport outcomes. Effective transport systems support agreed land use patterns. SmartGrowth sets minimum densities to be achieved so that travel demand management targets, in particular a shift to public transport, can be met. Transport can also influence housing affordability. For example the costs of transport and other household expenses for the average income will be increased if there is less access to housing or housing is located far away from places of employment and recreation. More accessible and affordable housing will be in residential areas of increased densities and greater access to transport facilities. This level of integrated planning is enabled through an agreed land use pattern which helps to manage land supply in a manner that imposes the least cost to ratepayers.

Growth management strategies are about sending clear and unambiguous signals to the market on long-term land use. It is SmartGrowth's submission that failure to do so will create more uncertainty on the location of urban growth and place undesirable speculative pressure on land prices. This will affect the ability to use land to build more houses or businesses, provide efficient infrastructure services, or use land for productive purposes as well as protecting the natural and cultural environment.

The Strategy's land release programme has been carefully sequenced to minimise any negative effect of land supply issues in the sub-region, and to avoid having development open on too many fronts. A significant consequence of not sequencing development is that too many development choices means that Councils take a long time to recover infrastructure investment through financial or development contributions. This can negatively impact balance sheets.

By way of example, SmartGrowth was approached by a developer about the land release date for a substantial land block in the Papamoa East area. The developer requested that the Tauranga City Council (TCC) bring the development date for that land block forward from 2021 to 2014-2015. TCC prepared a financial impact assessment relating to this request and had it independently peer reviewed.

¹⁵ SmartGrowth Strategy and Implementation Plan May 2007, pp. 23-26, 129-131.

¹⁶ Western Bay of Plenty District Council, *Built Environment Strategy Stakeholder Consultation Document* April 2007, p.10.

The analysis showed that despite the developer funding the entire infrastructure, the costs for TCC associated with the depreciation and maintenance¹⁷ of the proposed Papamoa-Te Tumu development¹⁸ was \$285 million. Agreeing to this request would have a considerable impact on TCC's ability to service development debt since the development that would normally occur in other areas where they had invested would be attracted to this new area. There would also be impacts on its credit rating and the costs of borrowing would increase.¹⁹ These costs would then have to be funded by the general ratepayer.

SmartGrowth submits that its approach to growth management is not artificially driving up the price of land. SmartGrowth supports managed growth through strategies such as development sequencing and implementing urban limits through the Regional Policy Statement. This enables local authorities to focus on the efficient delivery of their services as who they provide for and to what extent is more clearly set out. The SmartGrowth Strategy is about taking an efficient and integrated approach to growth management. This involves planning for long-term land use needs, infrastructure requirements and funding.

Development Contributions

The finding of the Commission's report that development contributions have impacted on affordability and led to many households taking out larger mortgages, needs to be considered in the context of growth paying for growth. If development contributions are reduced or not charged then the costs merely shift to existing ratepayers. As work completed for Tauranga City Council found:

... if infrastructure costs cannot be reduced the implication of lower development contributions means higher rates. This is due to the limited funding sources available to local authorities in New Zealand compared with their peers in others parts of the world, particularly those in the US.²⁰

Removing or reducing development contributions hides the true costs of development.

It is acknowledged that a key financial challenge of growth for a council is to keep development contributions at a level that is affordable to developers. Growth impacts on the sustainability of a council's

¹⁷ Under the Local Government Act 2002 this is the responsibility of Councils/local authorities to manage.

¹⁸ Tauranga City Council, *Response to Proposal to proceed at Te Tumu at 2011 ref 1369877*.

¹⁹ Ibid. This is what the Tauranga City Council financial investigations found would be the case had it allowed the Te Tumu development to move forward to 2021 to commence in 2014.

²⁰ *Assessment of Development Feasibility for the Wairakei Urban Growth Area* (2010), prepared by Tauranga City Council and Essentia Consulting Group at page 15

debt position and the affordability of rates. The ability to borrow to fund investment in infrastructure to service growth is constrained by a council's revenue. For a number of growth areas, the council's debt envelopes are being pushed to their limit, mainly as the result of investment in growth-related infrastructure. Much of this debt is expected to be repaid via development contributions. This puts such councils, and therefore its ratepayers, at significant financial risk should the rate of growth slowdown.²¹

The Commission's findings and recommendations in relation to development contributions need to be aware of this context.

4.2 Summary of Main Submission Points

A detailed response to the Housing Affordability report is provided in the next section of this submission.

In short, SmartGrowth's submission makes the following key points:

- **The housing affordability issue is not just an Auckland one. It is a significant issue for the western Bay of Plenty sub-region and the report needs to acknowledge that the provision of affordable housing is a concern for a number of growth areas throughout New Zealand.**
- **Further evidence is required to support claims that containment policies and the use of urban limits are causing house prices to increase. The case for this does appear to be well made in the report.**
- **It is SmartGrowth's submission that growth management strategies and urban planning practices are not the major contributor to the affordable housing issue.**
- **The Commission should reconsider its recommendations in relation to the release of land. This could have serious consequences for councils and their ratepayers.**

²¹ *Assessment of Development Feasibility for the Wairakei Urban Growth Area (2010)*, prepared by Tauranga City Council and Essentia Consulting Group at page 15

4.3 Detailed Submission

SmartGrowth's Submission Points on the Housing Affordability Inquiry Report

Document Reference (Summary Document)	SmartGrowth Submission	Specific Recommendation
Page 4, 'Housing is a House/Land Package'	In the second paragraph it is stated that section prices have grown more quickly than house prices over the last 20 years which suggests a shortage of residential land in places where people want to live. SmartGrowth would like to see some evidence to support this claim.	The report should provide specific evidence to support claims that there is a shortage of residential land in places where people want to live.
Page 4, 'Housing is a House/Land Package'	It is noted in the second paragraph that section prices account for around 40% of the cost of a new dwelling in parts of New Zealand other than Auckland where the cost is around 60%. This masks the reality of what is happening in areas like Tauranga. As at 2009, land value made up approximately 60% of house prices in Tauranga City. ²²	Acknowledge that in Tauranga City land value also makes up around 60% of a house price.
Page 4, 'Housing is a House/Land Package'	The report states that the movements in house prices in recent years seems excessive which implies that policy and planning practices may be constraining the supply of land. SmartGrowth would like to see some evidence to support this view. It should also be noted that current urban planning policies have been in place for some time. A form of the metropolitan urban limits has been in place in Auckland since 1951. Christchurch has had spatial policies for the containment of urban growth since 1950. Tauranga, a much younger city, has had urban growth policies since the mid 1980's. It is a significant leap to make to say that recent	Acknowledge that containment and urban limits policies have been in place for many years in a number of New Zealand's cities. Undertake further research before attributing house price increases to urban policy and planning practices.

²² *Housing Stock and Housing Demand*, Tauranga City Council, November 2009, at page 18 ; *Assessment of Development Feasibility for the Wairakei Urban Growth Area* (2010), prepared by Tauranga City Council and Essentia Consulting Group at page 12

Document Reference (Summary Document)	SmartGrowth Submission	Specific Recommendation
	upward trends in land prices have been caused by policy and planning practices. There is no doubt that these may be part of the picture but they are unlikely to be the sole or even the main cause. Further research is required if such claims are to be made. In particular, there would need to be a lot more work undertaken before recommendations can be made of the type outlined in the Commission's report.	
Page 5, 'Housing is a House/Land Package'	The Summary Report notes that a major challenge is to improve land release and planning approval processes so that affordability considerations are integrated fully into spatial planning. It needs to be recognised that land release and planning approvals are governed by the RMA 1991 which has particular tests to be met – none of which include any consideration of affordability.	The Report needs to acknowledge that planning processes are largely governed by the RMA 1991 which has its own particular framework. The Act does not account for affordability considerations.
Page 5, 'Underlying demand has been strong and is projected to continue increasing'	SmartGrowth supports the points made about household formation rates. These are a key factor in housing demand and affordability.	Support for the statements made around household formation rates.
Page 6, 'The Housing Market is Segmented'	<p>The last paragraph of this section states that the challenge of providing adequate housing is largely an Auckland one. While Auckland is growing at a fast rate and because of its size has significant housing affordability issues, these are also present in other parts of New Zealand, such as Tauranga.</p> <p>Tauranga ranks as one of the most unaffordable urban areas in New Zealand based on the ratio of median house prices to median household incomes.²³</p> <p>The strong focus on Auckland in the report ignores what is happening in other parts of New Zealand, particular areas like Tauranga which are</p>	The Report should focus on all areas of New Zealand that have housing affordability issues, not just Auckland.

²³ 8th Annual Demographia International Housing Affordability Survey, 2012, Ratings for Metropolitan Markets

Document Reference (Summary Document)	SmartGrowth Submission	Specific Recommendation
	experiencing strong growth and as a result have housing affordability concerns. The terms of reference for the inquiry did not require a particular focus on Auckland. SmartGrowth understands that because of Auckland's size and projected growth it will require significant attention. However, the report also needs to focus on other parts of New Zealand, especially places like Tauranga where growth rates are high and the provision of affordable housing is a key issue.	
Page 8, 'Where has the Commission found opportunities to improve affordability?'	Again, the report notes that the challenge of providing adequate housing is largely one for Auckland. SmartGrowth submits that this is inaccurate as there are other parts of New Zealand, particularly Tauranga City, where this is also a significant challenge.	The Report should note that the challenge of providing adequate housing is not just one for Auckland.
Page 8, 'Planning'	The statements in this section, in particular the first and third paragraphs, seem to ignore that planning in New Zealand is largely governed by the RMA 1991. The RMA 1991 dictates what will be considered in terms of the development of land and the consents required.	The Report needs to be aware of the planning operating environment which is dictated by the RMA 1991.
Page 8, 'Planning'	The statements made in the second paragraph of this section about it being widespread planning preference for increasing residential density and limiting greenfields development to achieve this which puts upward pressure on house prices across the board is questionable. ²⁴ This oversimplifies a complicated situation. Councils can only release greenfields land in a manner which is synchronised with infrastructure provision and funding. It is not always possible to just open up more land. A number of areas in New Zealand are encouraging residential intensification for a variety of reasons, including infrastructure	SmartGrowth would like to see evidence to support the assertion that increasing residential density and limiting greenfields development is putting pressure on house prices across the board. There are a number of good reasons why certain planning approaches have been pursued. The SmartGrowth Strategy is not about limiting or constraining greenfields but about ensuring that land can be provided in the right locations, adequately serviced and equitably funded. It is largely infrastructure considerations that dictate where and when development can occur.

²⁴ Note that a research thesis on Urban Intensification and Affordable Housing in Auckland conclude that no measurable relationship between urban intensification and the lack of affordable housing exists (Source: A Cullen, *Urban Intensification and Affordable Housing in Auckland*, 2005).

Document Reference (Summary Document)	SmartGrowth Submission	Specific Recommendation
	<p>efficiency, obtaining better transport outcomes and providing other housing choices. However, in places like the western Bay of Plenty sub-region, greenfields land is not being 'limited' or constrained. The SmartGrowth Strategy approach is about ensuring that enough land is available to accommodate the estimated population growth at the right time and in the right location relative to the provision and funding of infrastructure.</p> <p>It should also be noted that in most situations it is the community that have called for and supported planning approaches which aim to achieve a more compact urban form over time.</p>	
Page 8, 'Planning'	<p>The first sentence in the third paragraph that: "<i>An immediate release of land for residential development will ease supply constraints and reduce pressure on prices</i>", is problematic. Again, it is over-simplistic and ignores issues around the provision of infrastructure, how this funded and the impact on a council's balance sheets. It also implies that the opening up of more land will make housing more affordable. This is questionable given the range of other factors at play. The risks of taking such an approach, particularly if it is not done in an orderly way, are significant. The impact will be most acutely felt by ratepayers who will have to foot the bill. SmartGrowth is also concerned that there does not appear to be much in the way of quantitative evidence to support the view that releasing more land will bring prices down.</p>	<p>The report should reconsider its findings and recommendations around the release of land. This is a complicated issue that could have serious consequences if given effect to in isolation and with no planned approach. It could also seriously undermine years of planning aimed at encouraging residential intensification. This could have negative social, environmental and economic consequences.</p>
Page 9, 'Planning'	<p>The Report notes that adopting its recommended policies will reduce the opportunity for land banking. It is SmartGrowth's view that land banking will still occur.</p>	<p>The Report should be aware that there will always be a certain amount of land banking by developers, and because of the high risks associated with land development, eg changing market conditions seriously impacting on profit, there will only always be a small number of active developers in the market at any one time.</p>

Document Reference (Summary Document)	SmartGrowth Submission	Specific Recommendation
Page 9 'Infrastructure Charges'	The statements made in this section seem to ignore the fact that if growth-related infrastructure is not being funded by development contributions, then existing ratepayers will have to pay.	The Report should be aware that reducing development contributions will shift this burden to existing ratepayers.
Page 11, 'Taxation'	SmartGrowth accepts that taxation policy is potentially outside of the ambit of the inquiry, however we are of the view that this is part of the overall housing affordability issue and will need to be part of any serious effort to make housing more affordable. Taxation has to be part of the package in order for there to be an enduring solution to the problem. A lack of capital gains tax has potentially fuelled the housing boom as more people have channelled their resources into housing.	The Report should also cover demand side solutions to the affordable housing issue. In particular, tax policy should be noted as a potential contributor to the issue as well as part of a comprehensive solution.
Page 13, 'Government Housing Assistance'	SmartGrowth supports the recommendation of the report to increase the social housing fund. Social housing is an important part of addressing the housing affordability issue.	Support for the recommendation to increase the social housing fund.
Page 20, Population and Demographic Change'	The report notes the existence of demand drivers such as income growth. It is SmartGrowth's view that this aspect has not been covered at any length in the report but is an important part of taking a holistic approach to affordable housing. Income rates in particular are a significant contributing factor to housing affordability as wage rates have not kept pace with house prices.	SmartGrowth is of the view that demand drivers, in particular income growth, need better coverage in the report.
Page 24 'Urban planning and housing affordability' (F7.1)	SmartGrowth submits that finding 7.1 is questionable. A number of New Zealand cities have had urban limits or containment policies in place for some time (in some cases 50 years or more). As mentioned earlier we would like to see evidence that existing planning policies are increasing house prices.	The Report should provide evidence that existing planning policies are increasing house prices.
Page 24 'Urban planning and housing affordability' (R7.1 and R7.2)	SmartGrowth has concerns about the findings and recommendations relating to Auckland in the report. As mentioned earlier in this submission there are concerns about infrastructure provision, funding impacts and other social, economic and	Reconsider the recommendations relating to urban planning in Auckland.

Document Reference (Summary Document)	SmartGrowth Submission	Specific Recommendation
	environmental implications of such an approach.	
Page 24 'Urban planning and housing affordability' (F7.2)	This recommendation appears to ignore the New Zealand statutory context, in particular the operating climate of the RMA 1991. SmartGrowth submits that the second bullet point is already occurring. Most growth strategies throughout the country are focussed on providing a range of housing types and include strategies for intensification as well as greenfields development. It should be noted that it is SmartGrowth's experience that opportunities for medium density in greenfields areas outlined in the third bullet point is difficult in practice. The SmartGrowth Strategy has tried to achieve this in a number of greenfield growth areas but the demand for this type of housing in a greenfield setting is often quite low.	SmartGrowth does not support finding 7.2.
Page 24 'Urban planning and housing affordability' (R7.4)	SmartGrowth submits that the first bullet point ignores the reality of how local government operates and the importance of taking an orderly and planned approach to development and the release of land. In the case of the western Bay of Plenty sub-region it is not about constraining land but about having an orderly land release programme that is synchronised with infrastructure provision and funding. In SmartGrowth's experience the second bullet point is already happening within a number of growth strategies throughout New Zealand. Urban limits or boundaries are usually set to provide plenty of land for a certain time period (eg 20 years) and can then be extended to ensure there is an adequate supply of land into the future.	SmartGrowth does not support recommendation 7.4 and believes that the Commission should reconsider its approach.
Page 24 'Urban planning and housing affordability' (F7.3)	It is not entirely clear what is meant by this finding, in particular the reference to defensible priorities. While SmartGrowth agrees that the RMA 1991 and LGA 2002 have different purposes which can at times be difficult to reconcile. However, achieving some statutory integration is a difficult matter and	Clarify what is meant by this finding.

Document Reference (Summary Document)	SmartGrowth Submission	Specific Recommendation
	won't be achieved in a short timeframe. There is also a lack of integration with the LTMA 2003.	
Page 26, Charging for Infrastructure'	<p>The points made in this section need to acknowledge that development contributions are about funding the costs of growth and that reductions in these contributions will shift that burden to existing ratepayers.</p> <p>The fourth bullet point under key points makes reference to development contributions not unduly penalising new development. SmartGrowth submits that this misunderstands the purpose and principles behind development contributions. Such contributions are about 'growth paying for growth' and the fair distribution for infrastructure costs.</p>	<p>Acknowledge that any reduction of development contributions will shift the burden to existing ratepayers. Remove the reference to development contributions penalising new development as this is not accurate.</p>