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Growing cities are good for New Zealand



Draft Productivity Commission report on using land for housing now available

The Productivity Commission has released a draft report into the processes that New Zealand's fastest growing cities use to provide land for housing. The report finds that more could be done to enable cities to accommodate growing populations and includes 38 draft recommendations.

The Commission is inviting submissions on its draft report "Using land for housing" by 4 August.

"Housing affordability is a key challenge facing New Zealand, especially in our growing cities," said Commission Chair, Murray Sherwin. "The limited availability and high price of land is a concern when housing is becoming difficult to access for many, particularly in Auckland.

"Land supply is a critical first step to address housing affordability. Our fast-growing cities need to be able to grow up, and out. Without unlocking land supply, any efficiencies made elsewhere in the construction chain are only likely to flow on to higher land prices, rather than cheaper houses.

"New Zealand's population is growing, and the size of our households is shrinking. The housing market needs to provide more choice of dwelling types and sizes to meet that changing demand. But land use regulations often constrain the production of small, affordable dwellings, both in built up areas and on the fringes of our cities. High land prices encourage the production of larger, more expensive housing.

"This hurts first-time homebuyers. It also contributes to overcrowded houses and preventable disease. Land supply shortages are a drag on the economy, hurting labour productivity and economic growth. Addressing land supply can make a huge contribution to New Zealand's social and economic wellbeing.

"Providing infrastructure like water and wastewater services is a problem. In some areas infrastructure connections are effectively being rationed. We've proposed recommendations on how the arrangements for infrastructure provision can be improved so that the roll-out of pipes can be far more responsive to demand. We're interested in hearing responses to those draft recommendations.

"Our planning system can work better. This report has recommendations to promote better planning and land use rules that will free up land supply, including promoting density in areas close to the centre of our cities and close to transport hubs. Individual councils are doing some things well, and others can learn from them. We've also identified good practices overseas that we think could be applied in New Zealand to free up land for development."

Recommendations in the draft report on improving the supply of land for housing include:

- allowing large cities to undertake integrated spatial planning as an alternative to current statutory planning mechanisms;
- removing a number of costly regulations that prevent the efficient use of land for housing, such as minimum parking requirements, mandatory balconies for apartments, and minimum apartment sizes;
- increased application of user charges, particularly for water services, and the removal of prohibitions on tolling and congestion charges;
- greater use of targeted rates to fund growth-enabling infrastructure;
- removing the exemption that means that the Government currently doesn't pay council general rates on Crown-owned land;
- identifying and pursuing opportunities to use Crown and local authority land in high growth cities that is suitable for residential development; and
- establishing an urban development authority to assemble sites, master-plan large residential developments, and partner with the private sector to deliver them.

The Productivity Commission is interested in feedback from submitters on these recommendations, and other questions, findings and recommendations in the draft report.

Mr Sherwin said, "The challenge before New Zealand is large. The largest development in Auckland in recent years, Hobsonville, will eventually deliver around 3 000 new homes. But Auckland has a current shortage of 32 000 dwellings, and that number is going to keep growing. Auckland needs the equivalent of another 11 'Hobsonvilles' on the ground right now, and a further four developments that size each year to keep up with demand.

"Delivering on that scale requires assembling parcels of land to enable efficiencies in land development and construction. A public urban development agency could play a valuable role in bringing sites together and partnering with private sector developers to redevelop land within cities and build new suburbs on the edge of cities.

"Allowing our cities to grow is good for individuals, communities and the nation. Keeping land supply locked down is harmful. We can do much better."

The draft report is available from www.productivity.govt.nz/inquiry-content/using-land

About the inquiry

The Commission has been asked to examine and compare the rules and processes of local government to identify leading practices in planning and taking decisions about making land available for housing, and providing for necessary infrastructure. It has also been asked to look at models adopted by cities overseas that might provide valuable lessons for New Zealand.

Inquiry timeline

4 August:	Due date for submissions on the draft report
30 September:	Final report due to Government

About the New Zealand Productivity Commission

The Commission – an independent Crown entity – was established in April 2011 and completes in-depth inquiry reports on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues.

For further information, please contact Catherine Jeffcoat:

Catherine.Jeffcoat@productivity.govt.nz

T: (04) 903 5160

M: 029 770 8697

Web: www.productivity.govt.nz