

Inquiry into "Land used for housing"  
New Zealand Productivity Commission  
PO Box 8036  
The Terrace  
WELLINGTON 6143

24 March 2017

Dear Sir/Madam

**Re: Inquiry into using land for housing**

The Christchurch City Council thanks the New Zealand Productivity Commission for the opportunity to make a submission on its Inquiry "Land used for housing" Issues Paper November 2014. The content of the submission follows overleaf.

The Council's ability to respond in greater detail to the Commission's inquiry at this time is compromised by the very limited capacity of Council staff to participate in the inquiry at the same time as reviewing the Council's District Plan through an accelerated process under the Canterbury Earthquake Recovery Act.

If you require clarification on the points raised in this submission, or additional information, please contact Siobhan Storey, Senior Policy Analyst, telephone 03 941 8916, email [siobhan.storey@ccc.govt.nz](mailto:siobhan.storey@ccc.govt.nz).

Yours faithfully

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## Christchurch City Council's Responses to Questions in the Productivity Commission's Report "Using Land for Housing"

- Q1 *Is it helpful to think of the planning and development system as a means of dealing with externalities associated with land use and coordination problems? What other factors should the Commission consider in evaluating the role of the planning and development system?*
- 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?*
- Q3 *What criteria should the Commission consider in evaluating the current land planning and development system in New Zealand?*

The Commission should consider the degree to which the current land planning and development system in New Zealand is contributing to the delivery of housing provision that is well suited for both the current and future housing needs of communities. New Zealand has an ageing population and the forecast is for an increasing need for smaller homes to accommodate single people and couples. However the majority of new homes being developed are larger family homes. There appears to be a significant mismatch between the homes the market is providing and the future needs. See further comments in answer to question 4.

The Commission should also consider the degree to which the current land planning and development system in New Zealand is contributing to meeting the country's housing and business needs in a way that is environmentally sustainable and helps to reduce the impacts of climate change.

- 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?*

Increased supply of development capacity alone is not likely to be sufficient. Further intervention is needed to prevent land banking and slow release of sections to the market by developers.

In Christchurch in Greenfield areas, the majority of houses being built are still large single family homes on single lots. Developers indicate this is the market preference; evidence suggests that there is a latent demand for a different housing type.

See Tony Brazier's comments in his opinion piece (Press Property section, 29 October 2014), for his interesting take on land housing supply and the risk he foresees of oversupply in 5 to 10 years, in particular of Greenfield subdivisions houses.

Depends on definition of development capacity; It could be land supply (be it rural land or changes to rules to enable higher density infill). It could also refer to developer capacity to deliver, or the knowledge and skills in the development community. A willingness to build alternative housing forms or reference to a limited range of housing providers working in the affordable market. Planning rules may (and are being through the DPR) changed to enable more development in the city (both Greenfield and urban redevelopment). This is in both terms of quantity and distribution. Planning rules establish what is allowed and to a certain extent can make some forms of development carry less risk to a developer and incentivise some forms of development.

**Note: Question 7 separates capacity into land and development.**

The capacity to deliver on either Greenfield or urban redevelopment is dependent a wide range of additional factors such as developer capacity, workforce availability and skill base, economic, financial and market fluctuations, the supply and price of materials.

The assumption that pure supply and demand governs eventual house prices is too simplistic. Land is a finite resource, especially if well located, and it is also able to be used for a range of purposes. Hence, owners will, generally, hold land until they can maximise the return on it, retaining it in an alternative revenue generating / productive use until the optimal capital receipt is achievable.

Comparisons are made with selected US cities where substantial homes can be delivered for under \$300k. It must be recognised that in a large multi-centric country like the US, the fortunes of cities are far more tidal resulting in returns on land fluctuating more widely meaning that capital receipt expectations are not as high. In contrast, in New Zealand where employment and facilities are centralised into a handful of larger cities, the market price of land is more resilient, tracking, broadly, in a constant upward direction. No more so is this the case than in Auckland where its geography limits the supply of land more so than it would in a city that can grow in a more orthodox radial fashion.

An obvious long term solution is a move towards decentralisation. Auckland, Wellington and Christchurch are dominant centres with considerable economic gravities driving ever increasing levels of growth. This means the treadmill of land values is ever upward. In contrast, the housing markets of mid sized and smaller centres range from being either in decline, stagnant or enjoy modest growth. By stimulating these lower order centres, through the incentivising employers to relocate, matching employee skills to employer needs and enhancing social and community facilities, demand pressure can be diverted from larger centres enabling smaller centres become more viable in turn creating economic conditions to support higher order commercial and social facilities.

Q5 *What data sources will be most useful in identifying effective local authority planning processes for the development of land for housing?*

Q6 *Are there other local authorities exhibiting good policies or practices in making land available for housing that the Commission should investigate?*

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

The UK has introduced rolling 5 and 15 year land supply requirements, attached to which are carrots and sticks. The level of supply is derived from projected growth levels determined in local development plans as informed by sub-national/regional housing market assessments. Each Council must demonstrate, year on year, that it has a 5 year supply of land with consent or that is allocated for immediate consenting (i.e. land where homes could be delivered and be in occupation within 5 years). Where an authority cannot demonstrate this landowners can apply for alternative land parcels via consenting processes for development subject to them satisfying general policy and infrastructure requirements. Incentives are applied by government in the form of top ups/discounts to local authority funding – in effect if the council does not deliver its core funding is incrementally reduced. Development Plans must demonstrate at least 15 years of future supply – phased as needed to fit with, say, infrastructure extensions. In practice, authorities are actually looking 20-25 year ahead in relation to supply as they are recognising the need.

Q8 *Alongside the Resource Management, Local Government and Land Transport Management Acts, are there other statutes that play a significant role in New Zealand's planning and development system?*

Q9 *How easy is it to understand the objectives and requirements of local authority plans? What improves the intelligibility of plans?*

Policies and objectives can be clear in setting the overall intentions, which when accompanied by assessment matters offer a framework which can be understood by a broad cross section of the community. However, technical and legalistic demands for certainty have driven the creation of rules and standards that for many have become impenetrable. The difficulty faced by councils is that in rolling back from complex rules, there is a need for more subjective and flexible assessment matters whose interpretation may not be consistently applied. Herein lies the dilemma facing any reform.

Q10 *Is ensuring an adequate land supply for housing an objective of current District or Unitary Plans? If so, what priority is this objective given?*

Q11 *What steps do local authorities take to ensure that all people potentially affected by land use Plan provisions or changes have the opportunity to comment? How effective and efficient are these steps?*

Q12 *What steps do local authorities take to understand and incorporate the views of people who are potentially affected by Plan provisions or changes, but who do not formally engage in the Plan process?*

Q13 *How can the Plan development process be improved to increase the supply of development capacity?*

See answer to 7 – i.e. build in long terms supply

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

Q15 *How well do zoning decisions in District Plans and infrastructure planning in Long-Term Plans reflect demand and supply forecasts?*

Good question – and how does this interrelate with the RPS and UDS

Q16 *How effective are local authorities in ensuring that the rules and regulations governing land use are necessary and proportionate?*

Local authorities work hard to ensure that the rules and regulations governing land use are necessary and proportionate. In many respects the question of whether they are necessary and proportionate is a subjective one. Through the RMA there is a very robust process for creating the rules and regulations during which those who believe local authorities proposed rules and regulations governing land use are not necessary and proportionate have the opportunity to challenge them.

Q17 *What are the characteristics of the most effective processes for testing proposed rules, Plans or Plan changes?*

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?*

Q19 *What impact does transport planning have on the supply of development capacity?*

The Council considers that this question and the preceding statement about state highways network is referring to the restrictions on housing supply to protect transport infrastructure. There are a number of these types of restrictions. For example:

- Housing is generally restricted within the noise contours for Christchurch International Airport
- There are also restrictions on development close to Lyttelton Port
- Housing close to noisy transport corridors (such as State Highways, arterial and collector roads and railway lines) can sometimes be subject to some additional standards (i.e. more design standards to limit the amount of noise). There are also often restrictions on the number and design of accessways on to State highways, arterial and collector roads.

These restrictions are important to protect the efficient operation of transport infrastructure and limit noise from transport infrastructure adversely affecting residents. Without these restrictions being in place there may need to be noise restrictions on the operation of strategic transport infrastructure (e.g. imposition of a curfew at the airport which would restrict 24/7 operations). Such restrictions could reduce the efficiency and productivity of transport infrastructure which could increase costs on the economy.

Another important aspect of the relationship between transport and development capacity is the transport implications of the idea that increasing housing supply by releasing more greenfield land for development surrounding a city will reduce the cost of housing. Greenfield land is generally located further from employment areas and existing community facilities than development within existing urban areas. So an individual's transport costs to travel to employment and community facilities can be higher when living in a greenfield development and needs to be considered when considering whether how 'affordable' a house is. Also due to the distances involved and new infrastructure required, the cost of providing transport (and other) infrastructure to greenfield developments can be higher than providing infrastructure for development within existing urban areas. Greenfield development can also have effects on traffic congestion as the greater travel distances to and from greenfield developments increase car dependency and the amount of traffic on city roads. So restrictions on greenfield developments can reduce the transport costs on the economy. So when deciding whether increasing house supply in greenfield areas will make housing more 'affordable', the increase in transport and other infrastructure costs needs to be considered.

Q20 *Are there examples of effective integration between regional policies and district plans, and what are the features of processes that lead to effective integration?*

Q21 *Do rules or Plan requirements in your area unnecessarily restrict the use of land for housing? Why are these requirements unnecessary? What are the impacts of these rules and requirements?*

Q22 *How important is it that rules for development and land use provide certainty?*

In the interests of simplification and certainty the rules based planning system prescribes what can and can't be done as the base line. The consenting process is meant to be the release valve for innovation, allowing the opportunity for different approaches to be proposed, investigated and tested. However, in the interests of certainty and risk reduction, the resource consent process becomes something to be avoided.

The perception is often that rules provide a greater level of certainty, whilst this is true in the majority of cases as highlighted by the level of permitted development, experience shows that even where well considered and accepted rules or standards exist there is still a tendency for developers to push beyond them. Breaches to the rules trigger the need for an assessment of the effect, particularly where there is an impact on neighbouring properties, therefore creating a level of uncertainty as ultimately a judgement call will need to be made on the acceptability of the breach. The desire to push the limits of the rules often results from the wish to develop

A recent case in Christchurch relates to the Champions Mile exemplar proposal (see <http://resources.ccc.govt.nz/files/TheCouncil/meetingsminutes/agendas/2014/November/StrategyandFinanceCommittee20NovemberSupplementaryAgenda.pdf>). Exemplars, as set out in the Land Use Recovery Plan, are seeking a level of innovation around the provision of affordable housing in Christchurch. The landowner and developer understandably want certainty around their development, while the exemplar process requires a level of risk to be carried to achieve the outcome.

In some cases the housing types proposed by developers are incompatible with the selected site, the reduction in functioning living space and/or the desire to extract as much economic value from the a site, rather than the rules not being fit for purpose. Where breaches in rules do occur, council officers are able to exercise a level of discretion provided sufficient evidence is available or appropriate justification can be provided.

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

**Christchurch Urban Design Panel** - The Christchurch Urban Design Panel is a group of professionals who can provide independent design reviews for both Christchurch City Council and to private developers on urban design aspects of new developments. Private developers are encouraged to submit their plans to the panel for a pre-application review to provide greater certainty at the resource consent application stage. The urban design panel provides an opportunity to obtain a design review from a group of Christchurch's leading urban designers, architects, landscape architects and property professionals. This advice is currently provided at no cost by the Christchurch City Council and can assist in achieving high quality design outcomes for new developments. The panel does not have decision making powers. Its role is to provide expert advice to the Council and private developers. The panel can assist with:

- Providing independent expert advice and recommendations on urban design issues.
- Providing pre-application advice to developers on significant developments.
- A quicker, easier consent process through early identification of design issues.
- Adding value to developments through high quality design.

The panel have a firm understanding of the City Plan and its associated urban design rules, and are able to make reasoned judgments on the appropriateness of proposals and can provide advice to council officers in support of schemes that are technically non-compliant, as it is recognised that often the best design outcome is not necessarily fully compliant with the rules due to a number of variables. This is also a reflection that rules cannot hope to cover all possible development and design options and some flexibility needs to be included in the system. The recommendations of the panel will be sent to the applicant and will be given to the Council as well. In terms of a resource consent application the recommendations will carry the same weight as any other technical report. Interaction with the Urban Design Panel is best placed and encouraged at the pre-application stage, as this is the point at which any issues can be resolved prior to lodgement of the resource consent. The panel review is attended by the designated urban designer and resource consent planner who will ultimately process the application,

thus ensuring a strong and on-going relationship is built between the applicant and council officers, consistent advice is provided throughout the process and ultimately a well informed and considered decision is reached at submission stage.

*Q24 Which local authorities have the best approach to implementing land use rules or Plan requirements? What makes their approaches the best?*

Whangarei District Council in the Far North region has, over a number of years, introduced plan changes using the mantra of diminishing the use of rules in favour of applicants demonstrating a range of effects in a more holistic sense, for example, in the use of management plans. The implementation experience of this approach would warrant exploration.

*Q25 Do second-generation Plans take a more flexible or enabling approach to land use control?*

*Q26 What effect do design guidelines have on the availability of effective land for housing? Are the processes by which land use can depart from a design guideline transparent and applied consistently?*

**Non-Statutory Design Guides** - A design guide has the potential to provide a vision and outline design outcomes for a given area. The use of non-statutory design guidelines is a common approach to reinforcing or building upon earlier work such as master plans or urban design frameworks. The design guide typically provides a set of design criteria or overarching principles that when appropriately applied help achieve the wider aspirations or objectives for an area. Whilst some might consider that non-statutory design guides lack control and thus the ability to sufficiently influence design, the benefit that they bring is in appreciating the need for flexibility in a market led approach to development, recognising the inability to anticipate every outcome and often the long term benefit of a more passive approach.

*Q27 How many developers work in more than one local authority? Do variations in planning rules between councils complicate, delay or add unnecessary cost to the process of developing land for housing?*

- A lot of developers in Christchurch would carry out developments within more than one local authority area (Christchurch City, Selwyn, Waimakariri, Hurunui)
- Variations in rules would add a degree of complexity as their designers would need to be familiar with the different sets of rules.
- House designs may need to differ between local authority areas to meet the respective rules. There is likely to be a cost involved in this for the developer.
- The variations in rules would not result in delays in the process.
- It may be appropriate in some cases for there to be a local flavour or variation to planning provisions to reflect unique circumstances or the participatory process a District Plan is subject to.

Undoubtedly this is a major issue for the development industry as a whole and underlines the flaws of government abdicating responsibility for not putting in place some form of national planning framework. National Policy Statements, such as that on Contaminated Land, define key directions and parameters. This type of direction, not applied to the point where it stifles local determination or innovation, can give local authorities a consistent framework from which they can develop policies as well as setting common standards or definitions which nationwide lead to so much variation.

Q28 *Which local authority pre-application advice and information services are the most effective for communicating expectations and reducing unnecessary cost for applicants? What makes them effective?*

- Meetings are considered the most effective service
  - The right people need to attend, including experts and infrastructure staff relevant to the proposal.
  - Pre-circulation of concept plans to enable preparation, and ensure the right staff can attend
  - To be useful to the developer, staff attending the meetings need to be sufficiently experienced and confident to be able to provide an indication of whether the proposal is likely to be supported or not
  - There needs to be a documented record of the meeting
  - The cost of pre-application meetings does not appear to be a deterrent, as the advice provided can be invaluable to project planning and is usually money well spent.
- Rebuild Central was set up by the Christchurch City Council in 2012 in response to the earthquakes and the need to enable development. It offers a (free) service to developers interested in building on the Central City, Lyttelton or Sydenham, the latter two are commercial suburban centres most impacted by the 2010-2011 earthquakes. Planning advice and urban design advice is available on a walk-up basis. Further access to consenting (planning and building) is arranged through Rebuild Central. The service reduces some upfront advice costs to applicants and helps to provide clear information and certainty around the viability of development proposals, particularly before they enter a more formal process.

Q29 *Which processes are most important to applicants for providing consistent and efficient assessments of resource consent applications?*

- Consistency in identification of affected persons for similar types of proposals, and in the information required to accompany the application
- Consistency in decision-makers and decisions, including conditions
- Clear assessment matters and explanations for rules, for the benefit of both staff and developers
- Checklists are useful to make sure all relevant matters are identified and addressed
- Standard conditions
- Vetting of the application early to identify any key issues at the start of the process
- Practice notes to ensure consistency in interpretation
- Standardised report templates
- Pre-application advice – the mindset of the applicant has to be changed so that the Local Authority is viewed as an enabler of development (within defined boundaries) rather than being perceived as a barrier.

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?*

Note – the paragraph at the bottom of page 39 regarding the Resource Management Amendment Act 2013 implies that the new timeframes are already in effect, however this is not the case. These provisions require an Order in Council before they will come into force, which must occur by March 2015.

- 97% of applications nationally are processed within the statutory timeframe. Applications can be rejected if incomplete and only one request for information can be made where the statutory clock can be stopped. Timeframes can only be

extended under S37 if special circumstances exist or the applicant agrees to the time being extended

- Delays in overall resource consent processing times are often the result of incomplete applications being lodged, necessitating a request for further information. Applicants do not always provide additional information within the 15 working days required by the RMA.
- Another reason for delays can be a difference in opinion between Council officers and developers as to the acceptability of the proposal or the method of servicing, and it can take time to work through such matters.
- If timeframes were the most important factor, the Council could proceed to make decisions on applications more quickly on the basis of the information provided, however the outcome may be notification, a decision to decline, or the imposition of conditions that may not be practical for the developer. The Council considers it beneficial to take the time to work through any issues with the developer, if they wish to do so.
- Changes to notified application timeframes are unlikely to reduce delays, as most applications for housing developments in Christchurch City are not notified.
- The changes to the notification timeframe (20 working days) and acceptance of applications (10 working days) will not improve timeframes but will assist consent authorities to undertake proper assessment of applications.
- Key to improving overall timeframes is minimising disagreements and the need for further information. This can be improved by a number of initiatives particularly good quality pre-application meetings.

*Q31 What explains the variation between jurisdictions regarding requests for additional information and use of stop-the-clock provisions when assessing resource consent applications?*

- It is difficult to comment as there would need to be an analysis of the information. It could be attributed to variations of practice/processes/systems or it could relate to the planning framework for that area.
- Different lodgement processes and council-specific requirements for acceptance of applications (i.e. some councils may carry out a more detailed information check prior to acceptance, thus avoiding the need to suspend processing later on).
- Extent/availability of pre-application advice about information requirements.
- How the provisions in s.37 are applied, e.g. the use of “scale and complexity” or “special circumstances” as a reason to extend timeframes.

*Q32 What are the impacts of notification on the supply of development capacity? How could the processes surrounding notification be improved?*

- Developers may be deterred from applying for innovative proposals that might require notification if they don't meet District Plan rules.
- Less formality, shorter reports etc may assist in reducing cost and time of notified applications, but appeal rights are a strong deterrent for a lot of developers as they introduce uncertainty.

*Q33 What explains the reduction in the prevalence of pre-hearing meetings?*

- Don't know

*Q34 Which local authorities make the best use of pre-hearing meetings? What factors best contribute to successful pre-hearing meetings?*

- A good chair/facilitator, degree of informality to assist with open and honest communication between parties.
- Understanding of the process by all parties, including benefits and opportunities for both applicant and submitters.

Q35 *Does the type of person making the decision on resource consent applications affect the fairness, efficiency or quality of the outcome? What difference (if any) does it make?*

- Generally speaking decision makers need to be experienced and competent in the RMA area. The decision is a legal and technical decision and decision makers with the right expertise ensures a robust decision.
- Greater likelihood of consistency in decisions where council officers are involved, due to the volume and greater familiarity with previous decisions.

Q36 *Does the use of external experts (for example as independent commissioners or contracted staff) in making resource consent decisions create conflicts of interest? If so, how are these conflicts managed?*

- Generally not. It is expected that external professionals would declare any conflict. Commissioners are required to sign a conflict of interest declaration. There may be a perception from the general public that conflicts exist where professionals represent Council and applicants.

Q37 *What processes do local authorities use for ensuring that consent conditions are fair and reasonable? How successful are local authorities in meeting the “fair and reasonable” test?*

- Use of experienced professionals for decision-making where possible
- Use of standard conditions
- Legal advice where necessary
- Sending draft conditions to the applicant for their comment prior to making the decision

Q38 *In your experience, what impact do conditions on resource consents have on the viability of development projects?*

- Not much. Conditions should only be imposed where necessary to mitigate adverse effects, and would generally reinforce what has been proposed in the application.
- It is our practice to run draft conditions past the applicant, and this identifies potential issues of concern or practicality of implementation prior to the decision being made.

Q39 *Which local authorities have been most successful in providing coordinated decisions over applications to use land for housing? What explains their success?*

- Use of Case Managers can help to navigate consent processes.

Q40 *Are there issues relating to the process for challenging or changing decisions which impede the supply of effective land for housing?*

- Court timetables may impact on the time taken to resolve appeals so the supply of land for housing may need to be given priority.
- Aside from this, there should be no delay within councils provided efficient processes are in place to enable timely decision-making on changes to conditions and objections.

- Q41 *Compared to other processes of relevance to land release and development, how important is the ability to obtain a Plan change or variation? Why?*
- Q42 *How easy is it to obtain a Plan change or variation in your area? What are the major barriers?*
- Q43 *Do council-led Plan changes or variations help or hinder the supply of development capacity?*
- Q44 *What is your experience working with the infrastructure component of the land supply system?*

The Council is responsible for planning for the provision of infrastructure to service growth areas across the city. The developer, or the Council in the case of a development area in multiple ownership, is responsible for preparing Plan Changes for areas not currently zoned residential. An Outline Development Plan would normally be prepared as part of the plan change and this sets out the main infrastructure required to service the development in an efficient manner that integrates with the wider network. The developer is required to deliver infrastructure on its property that meets the requirements of the Outline Development Plan and gain Council's approval for any variations to the plan. Council often facilitates agreements between neighbouring property owners about infrastructure (e.g. road and pipeline routes) that pass through multiple properties.

The Council is generally responsible for providing infrastructure up to the boundary of a development, and the developer is required to provide infrastructure within its development. In the case of roading, the developer may also be required to undertake some upgrades on the existing road frontage, including constructing a new intersection if this is required for the development.

Issues can arise when individual developers wish to develop earlier than planned, where a direct connection to the existing network is not yet available, particularly in terms of water and wastewater. In this case, the developer is required to extend its network to an existing water supply and/or wastewater pipe, at its own cost.

Infrastructure Provision Agreements are one way in which the Council can work with developers to achieve greater efficiency in the provision infrastructure. These agreements can take many forms and are agreed under legally binding contract. Generally an agreement is entered into where the developer agrees to supply a level of infrastructure greater than that required for their development alone ("extra-over" work) and that will cater for a bigger picture of expected future demand from development. In this instance the Council will reimburse the developer for the cost of works done over and above the particular needs of the individual development. The cost of the extra-over work is, over time, recovered through development contributions for growth-related projects. On completion of the project the infrastructure is vested to the Council. These types of agreements benefit the Council where the developer can provide the infrastructure more efficiently and resources are freed up for other work. They may also enable development to occur ahead of its planned work programme, however the Council needs to balance any early delivery of planned infrastructure with pressures on operational resources and budget to service it.

Private Development Agreements (PDA) are part of the Development Contributions Policy and operate in a similar way to Infrastructure Provision Agreements. However, they usually involve the supply of land or works instead of, or in partial fulfillment of, development contributions. These agreements are most often done for reserves and stormwater where land may be vested and potentially improved for recreation, or where mitigation works are undertaken to the level that Council would have otherwise provided.

PDA's may also be used where infrastructure is provided. Some examples of situations in which the Council has entered into a PDA are below:

*Developer A (reserves and landscaping)*

The developer vested land of high landscape and natural value to the Council and worked with Council on improvements to the land to provide recreational opportunities for wider communities of Christchurch. Once the value of the land vested was credited against the DCs owed (over \$2M DC total), the developer agreed to undertake landscaping in line with that already planned by the Council against which remaining DCs were credited.

*Developer B (infrastructure build and DC credit to allow development progression)*

The Outline Development Plan for an area included a requirement for a pedestrian and cycle connection across a railway to have been constructed or for financial provision for this to have been made in the Council's capital programme prior to development of residential lots in a certain area. The developer wished to progress their project and offered to pay for the construction of the crossing, the cost of which would then be credited against the transport related DCs associated with their development.

*Developer C (private build of Council facility and reimbursements)*

The developer shared a boundary with Council land and both parties planned to build stormwater facilities in the same area. It was agreed it would be more cost effective and efficient for the developer to construct one facility that would serve both areas. Each party reimbursed the other for that portion of land the facility was built on as it sat on the boundary.

The Council acquired land from the developer to replace the reserve land the facility was to be built on and some of the value of this was credited to reserve DCs. On completion of the facility to the standards required, the developer received DC credits for the works proportional to expected service provision outside of the development (for which the Council had intended to build a facility for). The Council also paid for the linking pipes not related to the development and the facility was vested to the Council.

*Developer D (reserves and stormwater)*

The developer vested some land as reserves and as environmental compensation and received DC credits for reserves. Agreement specified staged release and the distribution of the available credits. The Council allowed that only 20% of the stormwater and flood protection charge would be required due to inclusion of first flush and wetland stormwater facilities.

**Q45** *Are there particular aspects of the system, or particular types of infrastructure, that are problematic?*

In Christchurch's case, the provision of wastewater infrastructure is the main constraint on development of greenfield areas. The wastewater network is already at capacity in many parts of the city, with untreated wastewater overflows occurring during storm events, due to groundwater infiltration and stormwater inflow to the wastewater system. This was already an issue before the earthquakes, and the damage to the pipe network has made this issue significantly worse. While SCIRT is repairing some of the wastewater network, many of the damaged wastewater pipes will be left unrepaired, so overflows will continue to be an issue for the city. Adding more wastewater from greenfield areas to a network that is already at capacity will only exacerbate the situation. While Council has plans for major wastewater projects to allow for growth and to reduce overflows, due to funding issues many of these are being deferred.

Stand alone greenfield developments can create issues for transport infrastructure as there will always be the need to connect the development by widening rural roads to an appropriate standard, providing footpaths and street lighting. The majority of the cost of infrastructure provision to connect to greenfield developments is covered by development contributions. However, not all of the work required to connect to these developments satisfactorily can be anticipated and accordingly provided for in the capital programme (this work is therefore ineligible for development contribution funding). Any additional or unexpected costs that arise in connecting these developments will be paid for by ratepayers.

Public transport is also an issue for development, as this is planned and delivered by Environment Canterbury (ECan). While Council and developers can plan for public transport in greenfield areas, ECan may decide not to provide, or to delay providing, a new public transport route, for economic or other reasons.

Stormwater and wastewater limitations. Social infrastructure provision, especially in areas where medium density housing is proposed in medium to low socio-economic areas.

*Q46 What are the opportunities to improve this part of the land supply system?*

If more funding was available, Council would be able to more quickly remove the constraints on development, particularly in terms of wastewater.

*Q47 Is there sufficient alignment of incentives for the various organisations involved in the provision of infrastructure to support housing? If not, what could be done to improve alignment?*

Before the earthquakes, Christchurch City Council, Environment Canterbury, Selwyn District Council, Waimakariri District Council, NZ Transport Agency and Te Rūnanga o Ngāi Tahu, had collaboratively developed a strategic plan to manage future growth called the Greater Christchurch Urban Development Strategy (UDS). In terms of wastewater, the key growth area to be targeted was the south west. However, the UDS has been overtaken by the Canterbury Regional Policy Statement (CRPS) and the Land Use Recovery Plan (LURP), which identified additional greenfield areas for development in the north of Christchurch, for which Council must provide infrastructure. This means that providing wastewater infrastructure for growth is occurring in a less efficient and more disjointed fashion than was originally planned for. Moving back to an approach similar to the UDS would enable better alignment of organisations for the provision of infrastructure.

*Q48 Are there differences in the approaches taken between council controlled and private infrastructure organisations (eg, electricity lines companies)? What is the nature of these differences? What explains the differences?*

*Q49 What comparative information about the provision of infrastructure to support housing should the Commission be aware of?*

Council's annual average budget for growth projects for the next ten years are \$23M for transport, \$5.6M for wastewater, \$3.3M for water and \$14.8M for stormwater.

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

Debt levels are definitely a barrier for providing infrastructure for growth in Christchurch. The Council funds all capital expenditure (including that for growth) through debt, but due

to its financial position following the earthquakes is unable to take on any more debt. For some types of infrastructure (e.g. wastewater pipes), infrastructure needs to be installed for the area as if it is fully developed, before development has started. As it can take many years for an area to develop, this means that Council can carry the debt for that infrastructure for a long time before the funding is fully recovered through development contributions. However, in the case of transport, upgrades can generally be implemented as growth occurs and therefore spread the costs over a longer period.

*Q51 How variable are the practices and processes around infrastructure charges across different jurisdictions? Does variability complicate, delay, or add unnecessary cost to the process of developing land for housing?*

Council uses development contributions to recover the cost of providing infrastructure for new developments. Council does not use financial contributions under the RMA. While developers working in multiple jurisdictions probably take the difference in costs of development contributions and financial contributions between jurisdictions into account when considering whether to develop, we do not believe that the difference in approach taken by other Councils (for example charging a different development contribution amount, or using financial contributions instead) complicates, delays or adds unnecessary cost to the process of developing land for housing.

*Q52 Are there particular examples of good practice regarding infrastructure charges?*

As for all local authorities, Council is bound by the Local Government Act in terms of the structure and policy for development contributions. Where there is uncertainty, we seek clarification from Ingenium.

Council does not currently structure its development contributions to encourage or discourage development in particular areas (refer also to the response to Q53).

*Q53 Are there particular types of development (eg, greenfields, infill etc) that are less costly to service with infrastructure? What evidence can you provide about any variation in infrastructure costs?*

It is much more expensive to provide water and wastewater infrastructure for greenfield areas, compared to infill development. For water and wastewater, there is often capacity in the existing network to accommodate growth, whereas for greenfield areas new pipes, wells and pump stations are required.

It is also much more expensive to provide roading infrastructure for greenfield areas, compared to infill development. In the case of infill development, normally only intersection upgrades (if any) are required to accommodate growth, whereas for greenfield areas new roads are required and existing roads normally need to be brought up to urban standards. There are also higher operational costs involved with Greenfield developments as the new infrastructure adds to the maintenance costs of the city and will normally require downstream improvements. There will also be additional travel costs for residents as Greenfield areas are typically located away from major employment areas, such as the central city.

Council currently charges a flat rate development contribution across the city for provision of roading, water and wastewater services (\$1,979, \$2,470 and \$4,702 respectively in 2013). If this was instead levied on a catchment basis, based on the actual cost of providing infrastructure to that part of the city, then the development contributions for infill areas would be around \$1,400 for roading, \$450 for water and \$1,200 for wastewater, and for greenfield areas would be around \$3,200 for roading, \$6,500 for water and \$8,300 for wastewater.

However, in the case of stormwater, it is more expensive to provide stormwater infrastructure in infill development areas, compared to greenfield areas as there is often limited land available for treatment and attenuation and so more expensive solutions need to be implemented. A stormwater basin to provide treatment and attenuation for a 62 hectare catchment in a greenfield development cost \$2.9M (excluding land costs), which equates to \$37,000 per hectare. In the case of an infill development in a residential suburb of Christchurch, three options were considered, with stormwater basins costed at \$167,000 per hectare, above ground tanks at \$58,000 per hectare and below ground tanks at \$65,000 per hectare (excluding land costs).

In summary, it is significantly less expensive to provide infrastructure for infill developments, compared to greenfield developments.

<http://www.researchgate.net/publication/227619274> Brownfield Redevelopment versus Greenfield Development A Private Sector Perspective on the Costs and Risks Associated with Brownfield Redevelopment in the Greater Toronto Area

*Q54 Do development contribution policies incentivise efficient decisions about land use, or do they unduly restrict the supply of land for housing?*

- In terms of economic efficiency, development contributions reflect the marginal cost of land development associated with growth. In doing so, the DC cost sends economic signals (i.e. price) about the relative efficiency of one area of development compared to another. DC's in themselves do not lead to a restriction on the supply of land for housing.
- District-wide catchments do not always support efficient decisions about land use. The potentially significant difference in the cost of supplying infrastructure to greenfield sites as opposed to brownfield and infill sites is concealed by one level of charge for all and gives no indication of where it is more efficient to develop.
- District-wide charges remain relevant where the demand is caused, and benefits accrued by, the whole community regardless of location of the infrastructure (for example a wastewater treatment plant).
- The availability of greenfield land needs to be balanced with careful long term city planning. Providing infrastructure to greenfield sites in a reactive manner when and where it happens is very inefficient for the Council and reduces the ability to plan effectively for major infrastructure projects. It can also drive specific aspects of capital programme that would otherwise not have been a priority for the Council which can in turn increase the charges because of increased spend.
- Better use of catchments will support clearer signals to developers of where it is more efficient to build. Some of the catchments the Council are proposing to introduce are based on land use which reflects the different levels of demand or cost of supplying infrastructure within these. One reason DC charges are expected to be lower in medium to high density catchments is because of some existing capacity already within infrastructure in these areas. There is also usually a lower cost in adding additional capacity to existing infrastructure as part of normal renewal and replacement work. DC charges under these proposed catchments should encourage developers to make decisions that support more efficient land use.
- The CCC DCP provides an adjustment that can lower DC charges for units that are developed in a way that does not increase impervious surface area. This can provide an incentive to developers to consider a more efficient configuration of their developments.

- An adjustment is also available for minor residential units (those under 100m<sup>2</sup>). This supports developers who wish to produce more intensified residential developments over larger dwellings, which is a more efficient choice in terms of infrastructure supply and use of available land.

*Q55 Are development contributions used exclusively to drive efficient decisions about land use, or are they used to promote broader goals?*

- The primary use of DCs (as clarified by the amended LGA) is to enable Councils to recover from developers a fair, equitable and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term. The recovery of this cost is permitted regardless of the efficiency of land use.
- The primary purpose of DCs is simply to fund growth-related capital expenditure. Increased use of catchments in DC calculations will tend to send economic price signals (although there are practical limits to how granular such signalling can become), but this does not diminish the primary funding purpose of DCs. It is not considered possible or appropriate to use DCs to promote broader policy goals, except through separate remission, postponement, or rebate schemes.
- The Council is careful to keep any use of DCs as an incentive outside its DCP and that there is zero impact on the expected fund of DCs recovered to contribute towards the capital programme.
- Where there are significant differences in infrastructure cost (such as land drainage) then DC's provide a price signal to developers about the relative efficiency of land options. The fact that developers subsequently develop on relative more DC-costly land suggests that DCs are less important than other economic drivers in developers' investment decisions.
- Lower charges are expected in the central and inner city as a result of the new catchments proposed by the Council. These would support the Council's broader strategic goal for more development and greater intensification within these areas. However, while this is fortuitous it was not the driver behind setting the catchments as they are.
- The Council does currently have a Central City Residential Development Contributions Rebate Policy in place. The intention of this policy to reward "first movers" within the central city where the Council sees residential development as a priority for the rebuild. The rebate is only available to applicants that meet specific design criteria and that will be able to reach a certain stage of development within a designated time. A separate fund has been set aside by the Council that pays into the DC fund in place of the developer receiving the rebate to ensure the rebate does not create a shortfall in funding for the capital programme.
- The development sector has previously expressed a strong desire to keep the DCP 'pure'. It is a technical policy that relies on careful consideration and calculations to set charges fairly, consistently, transparently and equitably over time. The Council's DCP states that should the Council wish to advance particular strategic objectives this will be done outside the DCP.

*Q56 How effective have the recent changes to development contributions been that were introduced in the Local Government Act 2002 Amendment Act 2014?*

- The new purpose and principles are extremely close to those that are in our existing policy so there is no impact on our practice in relation to those.
- As acknowledged in the issues paper, it is too early to say how effective the changes have been. For the most part the Council already included, or had plans to progress,

the required level of information and transparency of practice clarified by the amendments. The greatest effects on this Council are:

- the loss of cost recovery on growth-related projects for libraries and leisure facilities (this was over \$420,000 in the month of July 2014 alone) that will now have to be sourced from the ratepayer;
  - the need to reconsider the reserves facilities it chooses to provide in commercial areas if at all;
  - shifting funding for growth-related cemeteries infrastructure to the ratepayer.
- How effective the changes have been in terms of efficient land use decisions depends on what is meant by “effective” – in principle:
    - Increased use of catchments will tend to improve price signalling and therefore contribute to efficient development, but
    - Reducing the categories of infrastructure that can be included will tend to reduce price signalling, by limiting Council’s ability to apply a “user / exacerbator pays” approach and shifting this portion of growth costs onto ratepayers.
  - No requests for reconsideration of, or objections to, a development contribution assessment have been made to date to the Council.

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

The amended LGA asks for the preparation of a long-term infrastructure strategy that identifies significant infrastructure issues and options for managing these. There has been a very limited timeframe for the development of this strategy and this has had to be done in parallel with developing the Long-Term Plan.

Because of these pressures, the Council does not anticipate that the effect of the new infrastructure strategy on the availability of land will be significantly more than what would have been expected anyway as a result of the Long-Term Plan. It is hoped that future updates of the strategy will support a more strategic approach to managing identified significant infrastructure issues and a clearer direction to be set and lead the Long-Term Plan

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

Like other local authorities, the Council faces constrained rates funding, some ageing infrastructure, and challenges of funding new infrastructure in growth areas. Given the limits to funding infrastructure through rates and development contributions, a full range of other options should be considered.

Other funding options should take account of equity across the community, and seek to minimise the growing expense of upfront costs of infrastructure of residential development in particular, which also has inequitable housing outcomes. Addressing infrastructure costs should include taking account of value uplift when the use of land is changed to a higher level of development, and spreading the cost burden over a period of time. Mechanisms to achieve these outcomes could include tax increment funding (or bond financing) and betterment levies. Tax increment funding could also provide opportunities for public dialogue on what the community wants from a development. It could also provide a source of investment for local communities and organisations to in

turn further invest in their local authorities. Betterment levies could be refined to take a number of forms, e.g. negotiated agreements between developers and local authorities to deliver a range of community benefits in return for the publically-conferred planning gain.

There is still a justifiable case for some form of development contributions to help fund new infrastructure in new developments given the direct benefits that often accrue, especially in residential greenfield areas. What needs to be investigated is how other clearly delineated measures such as tax increment funding and betterment levies can be part of the infrastructure funding mix to achieve long term equitable outcomes.

Q59 *What alternative approaches for funding infrastructure should be considered in New Zealand's high-growth areas?*

[http://www.bpf.org.uk/en/files/bpf\\_documents/finance/BPF\\_TIFS\\_Paper\\_Final\\_A4](http://www.bpf.org.uk/en/files/bpf_documents/finance/BPF_TIFS_Paper_Final_A4)

Q60 *What are the main advantages and disadvantages of having infrastructure vested in Council Controlled Organisations?*

Q61 *Does the use of Council Controlled Organisations create challenges with respect to integrated provision of infrastructure to support housing?*

The use of Council Controlled Organisations has the potential to add complications and increase the difficulty of coordination with respect to integrated provision of infrastructure to support housing. In working on the consenting and infrastructure provision to support housing developments the use of CCO's for infrastructure provision can mean the developer has to work with several separate and largely independent organisations (CCO's) rather with one organisation (Council).

Q62 *Has the National Infrastructure Plan helped promote coordination of infrastructure investment? Is there sufficient integration between central and local government infrastructure planning?*

- In terms of Council's infrastructure, the National Infrastructure Plan only affects roading, through the Roads of National Significance. There are regular meetings between the NZ Transport Association, Christchurch City Council, Waimakariri District Council and Environment Canterbury, and this level of integration is adequate.
- There is currently no integration between central government and Council for water, wastewater and stormwater. However, as these are all local issues, there is no need to coordinate the infrastructure for these on a national basis, so the current arrangement is sufficient.

Q63 *What impact does heritage protection have on the supply and development of land for housing?*

Q64 *Are there good examples of local authorities, in areas where there is a housing shortage, working well with landowners who want to build housing for whānau on Māori land?*

Q65 *To what extent are Plan change requirements, consultation requirements, or the need for infrastructure, barriers to Māori aspirations for building housing for whānau on Māori land?*

Q66 *How important is the aggregation of land for housing development? How difficult is it? Do some local authorities have processes in place that make land aggregation easier – if so, which ones, and how?*

- Comment on shape of traditional residential sections in Christchurch. Need to aggregate sections to enable better urban form – not ‘sausage houses’. We could supply a photograph. Developers not always able to achieve aggregation or able to hold land.
- The Exploring New Housing Choices document (<http://resources.ccc.govt.nz/files/centralcitydecember2011/exploringnewhousingchoices.pdf>) really emphasises that to achieve good urban design outcomes, efficient use of land and higher densities, site amalgamation is required. Sausage flats of old and town house approaches to infill now are a relatively poor use of a site, poor design outcomes result and a lot of land becomes devoted to driveways rather than housing.
- The shape of a development lot can be an influence of development potential and outcomes for urban design and density. Aggregation of lots can address some of the issues. However, there is a need to be clear that the aggregation of lots is to support better approaches to infill and intensification, rather than more space to duplicate the same approaches to development.

*Q67 Is there a need for public agencies that can aggregate land in New Zealand cities? If so, who should establish these agencies? What powers and functions should they have?*

- Holding land is a cost and risk to the developer, particularly if the site amalgamation involves the acquisition of many lots (the last hold-out is the biggest risk). The cost and risk may be too great for the relatively small developers working in the infill and intensification markets. There is potentially a need for a public agency to aggregate land and fill the void of medium-sized developers specialising in the type of development that needs. There may be a conflict within a public agency between the need for transparency and potentially handling sensitive and confidential land acquisition processes.
- Land amalgamation could form part of a more pro-active approach. Sporadic infill and intensification based on when a lot comes up for sale is replaced by a coordinated approach. A land acquisition agency could focus on an appropriate area (zoned, agglomerations of older housing, demographic trends etc) acquire and hold land and maybe deal with pre-consenting and infrastructure (e.g. community based stormwater treatment, and particularly for Christchurch, ground conditions?), effectively removing risk from the developers (to which the land is sold as a viable building site). Added benefit is the agency could set the agenda for design outcomes.

*Q68 To what extent do central or local government policies and practices prevent or discourage landowners from selling or developing land for housing?*

This would very much depend on the perspective of the person answering this question. It can also be applied on a site by site basis (or Greenfield by Greenfield).

*Q69 How much land in New Zealand is being held in anticipation of future price rises? What evidence is there?*

The fact that real estate agents often advertise sites as Land Banks suggests that this is a factor and so the findings of the commission on this question should not glibly conclude that there is no evidence that land banking does not occur (both inside and outside urban rural boundaries).

Unpicking the intentions of landowners would be difficult to collect evidence on and invariably be reliant on some degree of subjectivity.

Q70 *Does the setting of rates on the basis of land value or capital value (that is, including the value of improvements) influence the supply of land for housing? What evidence can you supply?*

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

- Council's generally do not see private covenant. Anecdotally they are commonly used by developers and some do control density.

Q72 *What are the advantages and disadvantages of the Housing Accords and Special Housing Areas Act 2013 and of its implementation to date?*

Access to \$75million of central government funding. Opportunity to identify areas for fast-track housing, where need greatest.

The Council entered into a Housing Accord with the government this year. Based on our experiences to date, we would note the following advantages of the Accord alongside the possible risks to mitigate:

#### Advantages

- Brings central and local government together to address housing issues.
- Allows for targeting of resources at specific issues, e.g. emergency housing, social housing, affordable housing.
- Is a mechanism to address long term sustainability of Council's social housing stock
- Provides momentum to streamline planning and consenting processes
- Provides opportunities to increase housing supply including through best use of Council and Crown land
- Helps improve understanding of housing market as Accord progress reporting needs good quality housing data and analysis

#### Risks

- Urban sprawl if supply of housing through Special Housing Areas not carried out in a cost-effective way with regard to integrated land use planning, i.e. transport and infrastructure considerations.
- Too much focus on purely supply without regard to good connections to services and activities, especially in regard to social and affordable housing.
- The focus on increasing housing supply including affordable housing provision may miss those households under the most stress, i.e. lower income renting households
- Lack of long term support for Community Housing Providers may undermine efforts including those seeking to improve long term sustainability of Council social housing

Q73 *Are there wider lessons for New Zealand from the planning and development processes that have been used in greater Christchurch?*

Q74 *What evidence is there that the Land Use Recovery Plan changes are resulting in more land being made available for housing, or allow land to be developed faster?*

In terms of Greenfield, LURP basically implemented the proposals going through the RPS process at the time of the earthquakes and also added on some new areas (Prestons, Highfields). These areas are planned for but will not be brought to market any faster than the infrastructure provision allows.

For intensification the LURP introduced a series of mechanisms to allow intensification (EDM, CHRM) and infill development.