



MANIFESTO

*TAKING ACTION,
A TOOL KIT APPROACH TO RESIDENTIAL DEVELOPMENT*



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INTRODUCTION

To say Kiwis have a love affair with owning a house is an understatement. Alongside identifying ourselves with cultural icons like Phar Lap, pavlova or Colin Meads, as a nation we also identify with owning a “quarter acre of paradise”. However, this love affair is causing systemic pressures on our economy, environment and society.

In our cities rising house prices are outstripping the average salary increase, making housing affordability an acute issue. We are not supplying enough housing to meet current and forecast demand.

The responsiveness of supply is itself influenced by the planning system in which development operates. Too many barriers are creating handbrakes on housing development. Although several reforms have improved parts of the planning process, there is room for further improvement in streamlining policies and processes.

We need a planning system that enables effective and efficient development, without impinging on the environment New Zealanders treasure.

That is where we, the Residential Development Council, come in:

- **ADVOCATING** on behalf of our members and the wider industry for greater accountability and transparency within the existing planning system
- **CHAMPIONING** further reform to enable economic prosperity, employment opportunities, prosperous communities and social progress
- **FACILITATING** a New Zealand planning system that enables the development of new, and the rejuvenation of existing communities, to house our growing population.





Martin Udale
*Interim Chairman of
the Residential
Development Council*

Housing is both critical and fundamental infrastructure in our cities. For our cities to become and remain economically and socially prosperous, we need a variety of housing – and enough of it – that reflects the specific needs and aspirations of a city’s inhabitants. But to achieve this, we need the right government policy levers and the right private sector investment and involvement.

The Residential Development Council was established in recognition that the residential sector is a key enabler of successful towns and cities. When the four sectors of residential, commercial, industrial and retail property are combined, they drive much of the economic and social growth and prosperity of our cities. Given the residential sector plays such a fundamental economic and social role, it is crucial that we have an influential body advocating on the behalf of members.

We need to be bold and provide housing solutions that reflect New Zealand’s own cultural backgrounds and beliefs. We also need to be looking at how we can finance and construct housing on a much larger scale while improving its quality and making it affordable for the average New Zealander to rent or buy.

To do this we must challenge and adapt orthodox planning, development, construction and funding methods. We need to review how and where we procure building materials; we need a more efficient and effective supply chain, and a less burdensome and unresponsive consenting regime. We need to critically assess all aspects of how we are delivering houses and infrastructure to drive and enable innovation, efficiency, and timeliness across the system as whole.



Connal Townsend
*Chief Executive of
Property Council
New Zealand*

In New Zealand’s high-growth cities we have a serious housing affordability crisis. For too long, we have seen either inertia, or poorly developed or tepid policy changes that do not have the desired outcomes of building more housing. It is also disappointing that this issue is being used as a political football across the spectrum of politicians and decision-makers.

The Residential Development Council, which falls within the Property Council family, is a new advocacy vehicle that focuses on providing leadership on the issues relating to housing development. It takes a comprehensive approach, exploring, reviewing and advocating for change at the critical policy and process chokepoints, from planning to the construction pipeline and the provision of critical infrastructure to make sure that we build dry, healthy and sustainable homes and communities for today and the future.

Our members can deliver quality housing that reflects growing demand, changing demographic patterns of communities, and needs of people. We support building “up and out” through rejuvenating existing communities and building new communities on city fringes. But to do so decision-makers must be enablers, not handbrakes.

To reduce the risk of these chokepoints and handbrakes, the Residential Development Council will not only provide the leadership the industry needs; it will also advocate for sustainable development and investment.

KEY HIGHLIGHTS: TAKING ACTION, A TOOLKIT APPROACH

New Zealand faces numerous regulatory barriers and industry issues that are a handbrake on the housing development of our communities and cities. Now is the time for taking action. We are advocating for a broad spectrum of policy initiatives and reforms to remove barriers to housing development.

SMARTER REGULATIONS

- Enable a range of housing development typologies to meet demand requirements, thus reducing mismatches between housing and infrastructure, or housing and jobs, as well as providing greater economic and social accessibility and choice
- Meet the changing needs of residents to facilitate economic growth and business expansion, which allows for communities and cities to remain attractive and dynamic
- Better land use regulation and removal of unnecessary barriers to provide greater transport network optimisation, accessibility and connectivity
- Reduce commuting travel times, providing greater transport choice through public transport, cycling and walking, and provide efficiency gains for businesses reliant on travel. For example, smart regulation combines greater density through reducing height restrictions along arterial roads, with better provision of public transport, cycling, and walking infrastructure and services.

INCENTIVE BASED APPROACH

- Incentivise housing developments that are affordable, are above minimum building code requirements, reflect the typology needs of the community and are located near key transport routes
- Give developers access to an efficient, fast, and consistent development process.

THE PLANNING AND REGULATORY SYSTEM

- Robust cost-benefit analysis by councils before imposing regulatory limits, and lifting limits if they cannot demonstrate that the perceived benefits outweigh the costs
- Streamline council consenting and development processes to ensure minimal delays, and reduced red tape, compliance costs and inefficiencies – from Pre-Application through to Code Compliance
- Require councils to monitor and report on dwelling completions and changes in stock, in relation to expected and actual population and household growth





- Greater national direction and leadership from central government. This direction must outline a strategic vision as to how our cities can be more economically and socially prosperous
- Central government and councils undertake a collaborative review of the Resource Management Act (RMA), Local Government Act (LGA) and Land Transport Management Act (LTMA). The focus of the review needs to be on ensuring effective, efficient, dynamic, and flexible policies and provisions are in place that enable the housing development, associated infrastructure and economic and social amenities our communities and cities need.

CONSTRUCTION CAPABILITY AND CAPACITY

- Support flexible visas for skilled migrants in the construction sector that enable them to work across industries and regions
- Support from central government and councils for the greater use of international building products, which meet or exceed New Zealand standards, such as steel, pre-fabricated structures and glass
- Central government undertakes structural and regulatory reform. This will transform and increase the performance of the housing development market
- Emphasise the importance of investment, both international and national, as providers of capital for development to occur on a larger, more viable scale than before

- Establish a new national, publicly accessible and easy-to-use knowledge base that provides information about the housing market, population, employment and GDP. This knowledge base would identify key trends and possible issues that may arise.

INFRASTRUCTURE PROVISION AND FUNDING

- Central government provides a knowledge base, leadership and capability for councils to utilise a range of funding mechanisms that best suit their needs. These tools must be sustainable models and must not increase the costs of housing
- Councils share with central government the revenue linked to economic activity to help pay for infrastructure and services. This approach will help incentivise communities to develop
- Establish a Board of Infrastructure Development with a mixed governance structure that includes central and local government and private sector representation. The Board will advise central and local government on the development, implementation, and rollout of infrastructure policies, strategies and decisions.

COORDINATION IS VITAL

- Regional spatial plans must be initiated that set out social, economic, environmental, and cultural objectives.

Central government, councils and the private sector must work together in building the housing, economic and social amenities, and infrastructure our communities and cities need through a best practice approach

BARRIERS TO HOUSING DEVELOPMENT

Over the last 25 years, regulatory creep has created unnecessary barriers to housing development in New Zealand. These barriers have constrained the ability of the private sector to deliver housing and provided a roadblock to economic and social prosperity in our cities.

COUNCIL POLICIES AND PROVISIONS

TOO MANY COUNCILS ARE CONSTRUCTING THESE BARRIERS THROUGH WELL-MEANING BUT POORLY CONSTRUCTED POLICIES AND PLAN PROVISIONS THAT HAVE UNINTENDED CONSEQUENCES. EXAMPLES OF THESE INCLUDE:

- Heritage and character overlays that can inhibit the ability to develop and rejuvenate brownfield suburbs
- Environmental protection policies that are often blanket and subjective
- Restrictive district plan zoning provisions that throttle potential development capacity
- Poor regulatory settings that present contradictory requirements from different council departments or council-controlled organisations
- Poor decision-making by council officials on consenting decisions
- Poor council processes leading to increased development uncertainty, time delays and costs
- Subjective urban design requirements that add unnecessary costs and can lead to time delays for developments
- An ideological refusal to extend urban growth boundaries or rezoned land often not being development-ready when boundaries are extended.

A LACK OF DYNAMIC LEADERSHIP FROM CENTRAL GOVERNMENT

Central government has also impeded housing development through constant tinkering with the planning Acts and a hands-off approach to how our communities and cities develop, leaving councils to step into the void. Examples include:

- Since it was passed in 1991, the RMA has undergone substantial amendment and further reform is in the pipeline
- Reform to the LTMA and LGA has also occurred
- Continuous meddling has led to a planning system in a state of constant flux, which is a barrier to housing development as planning and infrastructure requirements often change
- Central government planning instruments are primarily focused on the natural environment and developing and implementing "bottom lines".

THE ROLE OF CENTRAL GOVERNMENT

Central government must develop and utilise a range of policy tools for all aspects of housing, community and city development.

Key to this is dynamic leadership and direction for the overall strategy and vision of how our cities evolve and grow in the future, along with creating the required infrastructure and economic and social amenities for cities to achieve prosperity.

We are optimistic that central government will provide the leadership needed through instruments like the National Policy Statement on Urban Development Capacity and through renewing and increasing its housing stock.



SPATIAL PLANS

Regions and cities are in a constant state of change. Economic and social transformation, often led by rapid technological advancements, are changing how our regions and cities develop and evolve.

Our cumbersome and often inert planning system is in a constant reactive state as it responds to this development and evolution. We need to shift this paradigm away from being reactive and move it to being proactive through the implementation of:

- Spatial plans in high-growth regions where our cities are based
- A new proactive approach that outlines a social, economic, environmental and cultural long-term strategic vision
- A strategic, high-level vision for spatial planning and infrastructure that is flexible enough to meet unforeseen demographic, economic or environmental changes.

This flexibility will allow central government, councils and the private sector to modify their medium- to long-term thinking and decision-making.

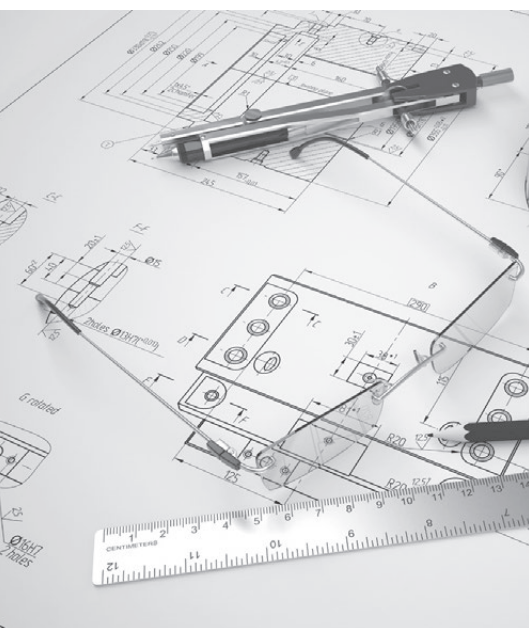
CONSTRUCTION PIPELINE LIMITATIONS

A repercussion of the impact of Global Financial Crisis on the building sector was the loss of critical workers with experience and skillsets who transferred to other industries. Unfortunately, at the very time that New Zealand needed a counter-cyclical approach to housing development to meet increasing demand, the framework to do so fell away.

Since the end of the Crisis, the industry has been slowly rebuilding its capacity. However, shortages are still prevalent:

- There is a lack of skilled industry or related workers, which can limit the job and economic growth generally associated with population growth
- While the value of construction over the last five years has experienced sustained growth overall, construction labour productivity is at 1983 levels
- Currently, the industry does not have the capacity to provide the housing needed.

SUBSTANTIAL SHORTFALLS AND LAG STILL EXIST IN PROVIDING HOUSING BECAUSE OF CONSTRAINTS ON BUILDING PRODUCTS. AUCKLAND THERE ARE SHORTAGES OF PRODUCTS LIKE CONCRETE, STEEL AND GLASS THAT CAUSED DEVELOPMENT DELAYS. ANECDOTAL EVIDENCE FROM DEVELOPERS SUGGESTS THAT DELAYS OF UP TO FIVE MONTHS OCCURRED FOR THESE CRITICAL PRODUCTS.



INFRASTRUCTURE

A lack of infrastructure constrains housing development. If we are to have successful communities and cities then housing developments require a range of infrastructure such as roading, water, electricity and social facilities.

For communities and cities to be prosperous, they must align land use rules with the provision of infrastructure, and provide the necessary economic and social infrastructure.

Reduced infrastructure investment can constrain land supply and escalate the price of developable land. As outlined earlier, a regional spatial plan provides the mechanism for joined-up thinking on land use and infrastructure provision.

Traditional infrastructure funding mechanisms are narrow and rely heavily on central government, councils, and the private sector. The upfront costs of infrastructure are passed onto the purchaser of the new house through the purchase price.

We generally support linking the payment to the benefit received from the infrastructure'. This approach ensures that the investment in housing reflects its opportunity costs and effective and efficient location choices are made. But this approach can only go so far, especially when expensive strategic infrastructure projects like water interceptors need to be funded.

Central government and councils must be more dynamic and flexible in the infrastructure funding mechanisms they use. We support implementing following funding mechanisms provided there is an objective robust and transparent approach to what projects they will fund:

- Either demand management or revenue generating road pricing tools
- Greater use of targeted rates for specific and localised projects
- Mechanisms to recover some or all of the value that strategic public infrastructure investment generates for private landowners
- Tax incremental financing
- Public private partnerships.

SUPPORTING LAND – BUILDING COMMUNITIES

Housing by itself is just sprawl. Cities like Auckland cannot replicate the mistakes of earlier suburban development and just build housing. Communities need accessibility to local economic and social amenities such as schools, health care facilities, and places to work and shop.

District plan provisions must move away from rigidity and embrace greater flexibility to enable development that reflects the needs and aspirations of local communities and cities.

Planning must stop being reactive and become proactive. For communities and cities to be prosperous, they must align land use rules and the provision of infrastructure and provide the necessary economic and social infrastructure.



REAL-LIFE EFFECTS OF THESE BARRIERS

These council and central government barriers have reduced the ability of the market to deliver the housing that our communities and cities need. In other words, currently New Zealand cannot build the housing it needs to manage demand. Even if estimates are correct and there are consents for 94,000 new homes by 2021, in Auckland alone that isn't enough to meet existing demand and manage future demand.



EVIDENCE OF BARRIERS

New Zealand lacks broad and uniform measures to analyse the effect of these barriers. However, research undertaken by central government agencies, councils and the private sector acknowledges the negative impact of these barriers on housing development.

DESPITE A RAPIDLY GROWING
POPULATION ALONGSIDE BUILDING
TECHNOLOGY AND ARCHITECTURAL
ADVANCES, THE NUMBER OF HOUSES
BUILT IN NEW ZEALAND IN THE LAST 30
YEARS IS LESS THAN IN THE 30 YEARS
BEFORE THAT.

This research focused on proxy measures that included land use rules, urban growth boundaries, resource consenting processes and requirements. Overall, the research shows the barriers to housing development increasing rapidly and a correlation between a decline in housing development and an increase in associated costs.



Although many factors like land costs and development contributions increase overall costs, a significant proportion of cost can be attributed to the urban design requirements of councils. Requirements around increasing floor to ceiling heights can add additional costs as well as possibly compromise the number of levels apartment buildings can go to. Similarly, balcony requirements can add substantial impost onto the cost per apartment.

IN AUCKLAND, RESEARCH SHOWS THAT COUNCIL REGULATION ADDS BETWEEN \$32,500 AND \$60,000 TO THE COST OF A NEW HOUSE. FOR EACH NEW APARTMENT, THESE REGULATIONS CAN ADD BETWEEN \$65,000 AND \$110,000.

Local level barriers to housing development vary across councils and urban centres. However, the strength and effects of these barriers are most evident in the vibrant and growing cities where demand for housing outstrips supply or is causing rapid increase in house prices. While Auckland is often seen as the paradigm of this phenomenon, it is also occurring in cities like Tauranga, Hamilton and Wellington.

Rapid increases in land value have negative flow-on effects. Coupled with the need to balance council provisions like heritage and urban design, development becomes trickier to undertake, and if undertaken the associated costs and need for a development profit margin often price these houses out of reach for a large proportion of people.

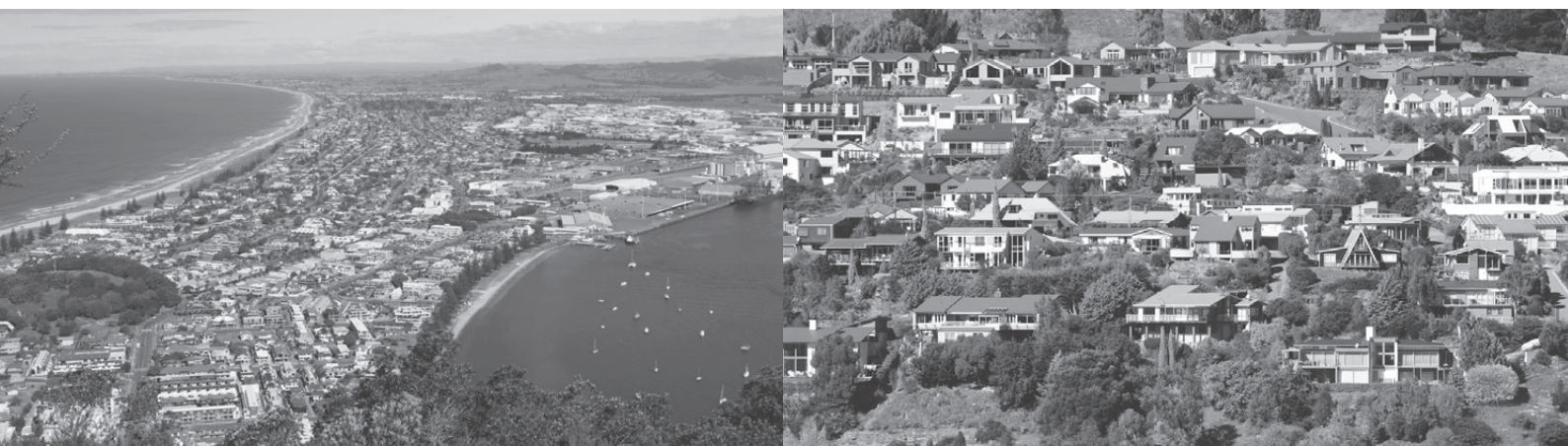
Central government and councils need to tackle the increasing housing affordability issues caused by these barriers. We recommend a wholesale cost-benefit review of the processes, provisions and rules councils can initiate and utilise. Policy levers must enable housing development and the associated economic and social amenities.

THE STATISTICS DON'T LIE

This inability to manage demand or address the shortfall is increasing the level of housing unaffordability for younger generations, working families and single income households. The increasing severity of this issue is affecting our cities; in Auckland, the median house price is now nearly 10 times the median household income. In Tauranga, the median house price is nearly 7 times the median household income, in Hamilton it is 6 times higher and in Queenstown it is over 10 times higher.

OVER THE LAST 30 YEARS, HOME OWNERSHIP RATES IN AUCKLAND HAVE DROPPED SUBSTANTIALLY. SINCE 1986 THE LEVEL OF HOME OWNERSHIP HAS DROPPED FROM APPROXIMATELY 75 PER CENT TO JUST OVER 60 PER CENT.

Further research shows that in Auckland over 40 per cent of a person's (under the age of 35) after-tax salary would be needed to service a mortgage, well above the 30 per cent threshold for mortgage stress. Essentially the median income for the typical buyer is not high enough to buy a median priced house, even with a 20 per cent deposit.



ECONOMIC POLICY EFFECTS

The unintended economic consequences from these regulatory barriers are immense and a drag on both our regional and national economies as well as on central government and council economic policies. These consequences include:

- Intensifying existing income inequality
- Creating obstacles for people to access jobs or higher paid jobs
- Forcing people into longer commutes as they need to travel further distances to and from work
- Creating a further drag on central government and council services.

Both national and international examples show that barriers to housing development have unintended consequences for businesses. If more income is used to service higher mortgages, less is available for new business start-ups. High house prices hinder new capital and business formation.

Businesses also face challenges if they seek to relocate, whether for increased access to markets and more skilled workers or agglomeration benefits, for example. Often constraining this relocating is the ability of employees to access a new premise.

TO ALLEVIATE THESE ECONOMIC ISSUES, CENTRAL GOVERNMENT AND COUNCILS NEED TO HAVE A CLEAR, CONSISTENT AND ENABLING APPROACH TO HOUSING DEVELOPMENT, BUSINESS AND TRANSPORT.

SOCIAL POLICY EFFECTS

In our cities, the barriers to housing development are exacerbating the ability of people to move out of renting and into home ownership. Rapidly increasing home values benefit existing owners, pushing the costs of ownership out of reach for many people and families. In Auckland, over 40 per cent of households and nearly 60 per cent of individuals over the age of 15 rent their homes. While this unfairly hinders younger generations, it substantially impacts minority populations like Māori, Pasifika and immigrants.

Couple this with increasing rent costs and limited housing options available, many households are living in housing that is inadequate in terms of size, location, heating and insulation. This depresses living standards and causes a range of social policy issues in education, health and employment. For example, shortages of adequate and affordable housing also exacerbates poverty and homelessness.

WE SUPPORT A RANGE OF PRIVATE, STATE AND SOCIAL HOUSING TENURE APPROACHES. TO FACILITATE THIS, CENTRAL GOVERNMENT AND COUNCILS MUST WORK WITH THE PRIVATE SECTOR TO ENABLE NOT ONLY HOUSING DEVELOPMENTS, BUT THE ECONOMIC AND SOCIAL AMENITIES THAT MAKE COMMUNITIES AND CITIES PROSPEROUS.



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