DUNEDIN CITY COUNCIL
Kaunihera-a-rohe o Otepoti

50 The Octagon, PO Box 5045, Moray Place
Dunedin 9058, New Zealand
Telephone: 03 477 4000, Fax: 03 474 3594
Email: dcc@dcc.govt.nz
www.dunedin.govt.nz

Dunedin City Council submission

On the

***Improving Our Resource Management System* Discussion Document**

February 2013

This is a submission from the Dunedin City Council to the Ministry for the Environment on the *Improving Our Resource Management System* Discussion Document.

The Dunedin City Council has reviewed the document and would like to make the submission as set out below.

The Dunedin City Council welcomes the opportunity to discuss the submission should the opportunity arise.

The Dunedin City Council supports the submission of Local Government New Zealand and has made a joint submission with other local authorities in the Otago region.

Councillor Kate Wilson

Chair of the Planning and Environment Committee

Dated 2 April 2012

Address for service: PO Box 5045
Moray Place
Dunedin 9058

Contact person: Anna Johnson, City Development Manager
Phone: 03 477 4000
Email: ajohnson@dcc.govt.nz

1.0 Introduction

The Dunedin City Council (DCC) supports improvements to the resource management system and practice where it has been well considered and justified. The DCC agrees with some of the proposed reforms outlined in the discussion document but opposes the more substantive approaches proposed. The DCC is disappointed that the discussion document and the proposed reforms fail to acknowledge the various differences that exist between cities, districts and regions within New Zealand and the opportunities to work with local government to improve practice and process without the need for legislative change.

1.1 *The Dunedin context*

In September 2012, the DCC adopted '*Dunedin Towards 2050: A Spatial Plan for Dunedin*'. The *Dunedin Spatial Plan* outlines the vision, strategic directions and overall urban form outcome for the city. The *Dunedin Spatial Plan* was developed as a cross-departmental project of the DCC and relied heavily on an intensive community engagement process and findings from a three-year research programme. A total of 216 submissions were received.

The DCC is in the process of reviewing its District Plan (notified 1995, operative 2006) to develop a second generation plan (2GP). The overall approach for the 2GP includes developing an outcome-focused plan, including positive outcomes, and to collaborate with Otago Region territorial authorities to develop shared plan provisions. The Dunedin Spatial Plan is a key document that is providing direction and guidance for development of the 2GP. The DCC is committed to the development of the 2GP which is scheduled to be notified in early 2014.

In terms of consent processing the DCC has consistently been processing 99% of applications on time since 2000, with an exception for a period within 2007/8 when performance dropped. The DCC is continually looking for opportunities to improve the quality and timeliness of its consent processing.

2.0 General comments

The DCC would like to make the following general comments on the key themes that run throughout our submission:

- *Poor problem definition and lack of evidence*

  The DCC supports the intent to improve the resource management system and practice, provided it results in genuine improvements, consistency and a cost effective process. However, change should only be made after a full analysis that identifies the problem, has a good evidence base and full consideration of the costs and implications for councils, plan users and the community. The discussion document contains unclear and inadequate identification of the problems, lacks any evidence base or understanding of processes and practice that is occurring and fails to provide any cost benefit analysis. The DCC is disappointed in the failure of the discussion document to provide adequate

analysis which makes it difficult to fully comprehend the costs and benefits for Dunedin or to understand how the changes proposed will actually address the concerns. While we appreciate that there are examples of planning provisions resulting in unnecessarily onerous processes, we believe they are the exception and should not be made the rule.

- *Cost implications for Dunedin City Council, plan users and the community*

  Overall, the proposed reforms contained in the discussion document will impose significant additional costs on the DCC with little evidence to assess any benefits to the city. Additional costs will result from: the need to change the district plan in relation to section 6; litigation costs related to interpretation issues with section 6 and the operative district plan; the costs of developing the single resource management plan including the collaborative plan-making process; the loss of time, resources and cost currently invested in developing the second generation plan; costs of any plan changes directed by the Minister; and changes necessary to the operational aspects of DCC consent processing systems.

- *Erosion of local decision making and public participation*

  The proposed reforms suggest a significant reduction in local decision-making around planning, with far greater controls and influence by central Government, including both the removal of decision-making powers from elected members and reductions in the community's ability to have a say. This change is a fundamental shift in decision-making away from local communities and local representatives, into the centralised hands of central Government. This is a serious and dramatic change in the role of local government and local democracy, and the DCC considers it extraordinary that such a change is being considered with little serious discussion with New Zealanders, based on scant evidence beyond anecdotal. The suggestions belittle the democratic process where plans are conceived and adopted with the emphasis reflecting local interest and input – for example, Dunedin has substantial emphasis on heritage values that should not be diluted by changes in the Resource Management Act 1991 (RMA) and undermining of community input into plans.

- *One size does not fit all*

  The proposed reforms are focused upon issues that have arisen in Auckland and Christchurch, both of which are sets of unique issues that do not apply consistently across the country. While it is important to learn from these situations to improve RMA practice and processes, it is not appropriate to impose a 'one size fits all' approach which will be unsuitable in other areas of New Zealand, particularly given that recently imposed changes to the planning system in Auckland have not been fully ironed out. Dunedin and Otago are not Auckland and do not have the same issues that Auckland does. The changes in Auckland have only been recently imposed and the Unitary Plan notified in March 2013. The DCC strongly believes that it is better to wait and assess whether changes already implemented in Auckland will really work to make things better for councils and plan users before mandating them for the rest of the country.

- *Recognising and encouraging improvements to practice and process*

  The discussion document lacks any recognition of the significant improvements to practice and process, including improved co-ordination and working together across regions, which are occurring particularly as councils develop their second generation plans. The DCC is committed to working with other territorial authorities across Otago to progress the development of shared plan provisions where appropriate, commencing with shared definitions. The DCC (along with others in the region) and the Otago Regional Council are taking a collaborative approach in the development of the regional policy statement.

  The DCC considers that the provision of 'guidance', rather than giving over control and imposing a one size fits all approach, is the more effective solution to many of the issues raised in the discussion document.

  The DCC supports increased use of existing central Government tools, such as combined sets of National Policy Statements and National Environmental Standards that address issues of national importance and provide nationally determined sets of planning provisions, in certain policy areas. These tools could be used both to streamline planning processes and to reduce demands on constrained local government budgets. This would be more palatable than some of the reforms proposed, such as the single resource management plan.

  Regardless of the outcome of the proposed reforms, the DCC emphasises the importance of MfE delivering timely guidance and working with local government as an effective mechanism to improve practice and process in a balanced manner.

3.0 Specific comments on Chapter 3: proposed reform package

3.1 Proposal 1: Greater national consistency and guidance

3.1.1 Changes to the principles contained in sections 6 and 7 of the RMA

The DCC generally agrees with streamlining sections 6 and 7 to provide principles and update the current practice of the overall broad judgement taken by the courts. However, there are specific changes to section 6 that the DCC does not agree with which are outlined below. The changes proposed will result in significant costs to the DCC, relating to the need to change the district plan and issues of uncertainty and interpretation which will require time and new case law to settle.

The addition of the proposed new section 7 appears to be unnecessary and mostly repeats existing provisions.

The DCC has the following concerns with the proposed wording of some provisions of section 6.

- *6(1)(h) the importance and value of historic heritage*

  The DCC does not support the removal of the reference to 'protection of' historic heritage in 6(1)(h) as it diminishes the importance of historic heritage in the RMA at a time when it is most important to be acknowledging its significance to New Zealand, to local communities, and to quality urban environments. Combined with the proposed changes to earthquake-prone buildings, the proposed change to 6(1)(h) appears to signal a desire to remove perceived 'impediments' to the demolition of heritage buildings. While this may result in redevelopment and replacement of buildings in high growth environments such as Auckland, in low growth communities like Dunedin, this often leads to demolition and non-replacement of buildings. Important heritage buildings valued by the community could be lost when insignificant weight is given both to the importance of heritage to Dunedin's residents and to the growing significance of the city's buildings on a national and international level, following the losses in Christchurch.

  The downgrading of significance and protection of heritage is inconsistent with New Zealand's participation in international agreements and regimes such as ICOMOS and UNESCO. Increased demolition of heritage buildings, due to heavier weighting on economic considerations, will have negative effects on the built character of small towns and the collective benefits for tourism and quality of life.

  There is not a strong, evidence-based assessment in the discussion document of why diminishing heritage significance should be pursued, or why development pressures in Auckland or the review of the Historic Places Act pertaining to archaeological matters should justify reconsideration of the value of heritage to local communities and the country. There is no clear evidence that the desire to 'achieve an appropriate balance between public and private interests' is based on anything other than anecdotal evidence, or that this balance has not been achieved in local communities already.

  Any reforms to legislation relating to historic heritage should instead focus on the introduction of minimum maintenance standards for heritage buildings, or other older buildings (both in the RMA and the Building Act), to ensure buildings do not become too expensive to repair (sometimes in a purposeful process known as 'demolition by neglect') or a danger to those in and around the buildings, including during an earthquake. Insufficient maintenance of older buildings affects performance in an earthquake and targeting this area could result in more cost-effective benefits than requiring expensive upgrades or the multi-faceted costs of demolition.

- *6(1)(k) 'the effective functioning of the built environment including the availability of land for urban expansion, use and development'*

  The DCC does not support the current wording of proposed 6(1)(k). The reference to '*availability of land for urban expansion..*' is mandating, in law, a particular approach or method which is inconsistent with the remaining principles, planning evidence and best practice internationally. As currently

worded, it will prioritise outward physical urban expansion and prevent identification of urban rural boundaries, encouragement of efficient use of land and infrastructure, and urban consolidation. This change would undermine the basis of the Dunedin Spatial Plan (which seeks a compact city with resilient townships). It will lead to additional costs to the community, including the cost of future infrastructure and the cost of poor outcomes in terms of quality of place, liveability and loss of productive land.

Urban expansion is a remedy that central Government appears to favour for cities with growth pressures, with no consideration for the effect of urban expansion on slow growth cities where the influence on urban expansion comes from lifestyle choice and desire rather than need. Under those circumstances, ensuring district plans provide for urban expansion has the potential to seriously compromise incentives for land owners to efficiently use inner city properties and infrastructure capacity, especially where heritage costs already act as a disincentive. Making it easier to expand a city at the expense of efficiently use existing inner city infrastructure does not encourage good urban design, infrastructure use or a good quality of life for residents or support centres.

- *Removal of references to quality of the environment and amenity values*

  Given the important role of urban design in the built environment, it is unclear where urban design, quality and liveability would fit within the proposed changes with a potential to devalue these elements which are key for globally competitive cities. It is assumed that the best fit will be with 6(1)(k). The removal of references to the quality of environment and amenity values raises concern that there will not be sufficient support for urban design and quality developments to ensure positive outcomes for the built environment which the community values.

3.1.2 Improving the way central Government responds to issues of national importance and promotes greater national direction and consistency

The DCC agrees with the provision of greater clarity around when and how national tools are utilised, particularly criteria for determining what is of national significance and the role of central Government.

3.1.3 Clarifying and extending central Government powers to direct plan changes

The DCC does not agree with the proposals outlined to extend central Government powers to direct the outcome or plan content of a plan change as this is seen as an erosion of local democracy, creating one rule for central Government and another for local government to follow.

This change is a fundamental shift in decision-making away from local communities, local representatives, into the centralised hands of central Government. This is a serious and dramatic change in the role of local government, local democracy, and the DCC considers it extraordinary that such a

change is being considered with almost no serious discussion with New Zealanders and based on scant evidence beyond anecdotal.

The DCC would like to highlight the following quote on the principle of subsidiarity taken from the New Zealand Productivity Commission draft report *Towards better local regulation* (December 2012, p12).

The Commission's approach to allocating regulatory functions between different levels of government is guided by the principle of 'subsidiarity'. This principle asserts that decision-making, powers, responsibilities and tasks should be handled by the lowest, or least centralised competent authority (level of government). Therefore, there is a presumption against centralisation, unless there is insufficient competence to carry out any particular function. The importance of competence in undertaking the regulatory role includes the ability to access the relevant information and the capability to undertake the role.

Local governments are closer to their constituencies; they have a superior knowledge of the preferences or demands of local residents and of other local conditions (Oates, 2005). Full advantage can be made of tailoring service levels to the particular tastes and other circumstances that characterise the individual jurisdiction (Oates, 1997). In this way, social welfare is maximised and the principle of subsidiarity is consistent with the concept of welfare enhancing efficiency (Loeper, 2007).

The DCC supports this principle. The discussion document contains no evidence of the principle being considered in the proposed reforms, or evidence that local authorities have been found to have "insufficient competence" to carry out plan changes and other functions.

The discussion document also refers to directing plan changes for issues that are 'regionally significant'. The DCC considers that, if these powers are introduced, they should only be directed at nationally significant matters and not regionally significant matters.

3.1.4 Making NPSs and NESs more efficient and effective

The DCC agrees with the proposed approach and the need to make more effective use of these tools. However, the full costs and benefits of these national instruments need to be determined prior to their introduction. Our experience with the Resource Management (National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health) Regulations 2011 indicates that it has led to uncertainty and costs for developers, land owners and the DCC in situations where a site is unlikely to pose a risk to human health.

3.2 Proposal 2: Fewer resource management plans

3.2.1 A single resource management plan using a national template that would include standard terms and conditions

The DCC does not agree with the proposal to impose a single resource management plan using a national template. If the proposed approach is to proceed, a single resource management plan should be optional, not mandatory.

It is noted that the discussion document fails to refer to current section 80 of the RMA: 'Combined regional and district documents'. The RMA does not prevent the production of combined and integrated planning documents by regional and district councils. Instead under section 80, it specifically anticipates and provides for this approach.

The development of the single plan template and any process imposed is a significant change to practice that will affect all councils. However, the proposal is light on detail. It raises a number of unanswered questions that need to be resolved prior to any system being finalised and put into place, including:

- Who will determine what is a good plan or a good set of zones?
- What is the process for development of the national template? Who will be involved?
- If a council chooses from the selection of ready-made zones, does this result in a reduced section 32 process?
- What if the national template does not work? Will there be a process to amend it and how quickly will this occur?
- Will the DCC be required to fit its 2GP into the national template? Will this need to follow a Schedule 1 process?

It is difficult to see how imposing a single plan with templates for zones would be efficient and effective when each city or district has different historical patterns of development and faces different challenges, including infrastructure constraints. This spoon-feeding approach also reduces public participation and the ability for the district plan to meaningfully recognise differences which a community desires.

- *Cost implications for second generation plan development*

  One of the main concerns with a single resource management plan and national template is the additional cost that this will impose on the DCC and its ratepayers. Given the timeframe in which the 2013 Bill will be enacted and the wait time for any national template to be delivered, Dunedin's 2GP will be substantially through the formal First Schedule process. Any legislation that requires the DCC to abort the process at such a late stage, in order to either create another plan or force the 2GP into a national template, risks wasting the time and resources (approximately $4.5 million) that have been committed to the 2GP and meeting the expectations of the community. The DCC is committed to producing a 2GP and is unlikely to delay the process in light of the proposed reforms. Depending upon the detail of the process and any transitional provisions, the single resource management plan will impose significant costs on

the DCC and ratepayers with potential for a procedural mess for plan administration and update, consent processing and uncertainty for plan users and the community.

Given that recent changes to the Local Government Act effectively mean that rates funding is capped, any additional costs will have to be funded by reducing the levels of other services, and/or imposing extra user charges. These effects need to be expressly considered when deciding whether or not the particular changes proposed are justified.

- *Benefits of new technology and improved practice in second generation plans*
  In developing the 2GP, the DCC is committed to continual improvements in its district plan, planning practice and plan administration. As part of the development of the 2GP, we have identified improvements including:
  - Fixing minor non-compliances that generate consents
  - A plan that is positive and outcome-focused
  - Using shared provisions in agreement with other territorial authorities in Otago
  - Developing internal systems to streamline the processing of minor consents
  - The use of an E-plan that will provide users with benefits above that of a traditional paper-based plan

In considering the problem and proposed approach, the discussion document gives no consideration to the benefits of new technology or other practice that may be in place, such as E-plans, that can assist plan users in navigating any perceived plan complexities and assist in streamlining consent processing. E-plans provide the opportunity for substantial gains in customer service, understanding of plans and enabling linking of documents.

The discussion document also ignores the fact that many territorial authorities are in the process of developing their second generation plans. This provides the opportunity to improve plans and to collaborate and share provisions. The territorial authorities in Otago are collaborating and sharing plan provisions, commencing with definitions and then provisions for renewable energy, earthworks and hazardous substances. Such collaboration and sharing of resources is good practice and does not require any legislative change or directive from central Government, but can be supported with non-regulatory mechanisms.

3.2.2 An obligation to plan positively for future needs

The DCC currently undertakes planning positively for future needs and recognises its importance to the continuing development and success of the city. This is a basic principle of good planning practice that should not require legislative change. If the intent is to improve planning practice, this is better dealt with outside of the legislation, with greater guidance to assist in improving practice. Once again, the discussion document fails to recognise the good planning practice that territorial authorities are undertaking and the changes occurring as second generation plans are developed.

The DCC agrees that issues and values are best considered at the plan development phase, which is the intent of plan development under the RMA. However, the community cannot be forced to be involved in plan development. The idea that the proposed reforms will result in public participation being achieved fully at the plan development phase rather than consent by consent is flawed. It is incredibly difficult to get the general public interested in plan development due to the level of complexity and detail presented, and the time commitment. People are generally only interested when a development is proposed for their neighbourhood or neighbouring site. It is only at this stage that most people can visualise or deal with the issues and choices that need to be made. The proposed reforms will not achieve greater public involvement in plan development but are likely to result in greater frustration when development that concerns individuals occurs.

- *A role for spatial plans*

  It seems that the intent of central Government is to improve long-term planning or strategic planning of councils. If this is the case, the focus should not solely be on district plans, which, based on their 10-year time frame, may not be the most appropriate tool for long-term/strategic planning. The DCC supports an increased role for spatial planning, which was promoted in *Building competitive cities* (October 2010). Spatial plans enable future-focused strategic planning with a longer term perspective and integration of all local authority functions, but they must be based on good evidence and consultation. Giving spatial plans greater legal weight (beyond just Auckland) and adopting a quick plan change process to enable implementation of any directions required at the district plan level would more effectively lead to more positive planning and meeting of community needs.

  In Dunedin's experience, the Dunedin Spatial Plan provides for a 35-year vision which sets out the strategic directions for the city, the important aspects of Dunedin that the community value and the overall urban form to achieve the vision. The community and key stakeholders engaged actively with the process. The DCC is using its Spatial Plan to provide guidance and direction for development of the second generation plan as well as other plans and strategies.

3.2.3 Enable preparation of single resource management plans via a joint process with narrowed appeals to the Environment Court

The DCC does not agree with aspects of the proposed approach. The explanation of the proposed approach is unclear and it is difficult to see how it would resolve the perceived issues. The DCC is concerned at the significant costs, time and potentially unwieldy size of the process that a joint approach would entail. Essentially, it is shifting the time and costs to the informal front end of plan development rather than the formal process of submissions and appeals. It is suggested that a cost-sharing agreement would be of importance in any plan partnership agreement. Once again, legislative change is not necessary to encourage collaborative processes such as that already committed to in Otago.

The proposed changes are also eroding local decision-making ability and public participation with requirements for independent hearings panels and narrowing of

appeals. The use of independent hearings panels is currently voluntary and should remain so.

The range of skills being asked of independent commissioners is significant and would be of limited availability in some regions or districts which removes the local knowledge aspect that is essential in plan development. The DCC believes that the community prefers to appear before hearing panels that it is familiar with and connected to, rather than the formality of appearing before unknown hearing panel members.

3.2.4 Empowering faster resolution of Environment Court proceedings

The DCC agrees with the proposed approach. In addition, the DCC is supportive of additional resources (funding and staff) being provided to the Environment Court to assist with mediation and faster resolution processes.

Proposal 3: More efficient and effective consenting

3.3.1 A new ten working day time limit for straight-forward, non-notified consents

The DCC does not agree with the proposal.

Our experience shows that the goal can and is being achieved within the current RMA structure. The discussion document does not present information to support a need for change. The DCC's records show that a significant number of resource consent applications are already processed within ten days. An additional administrative layer of a ten-day consent will add complexity and negatively affect our ability to manage the variable work load of consents staff. The change is not expected to improve performance and will result in additional cost. A 'one size fits all' approach is limiting and is not expected to achieve the desired efficiencies. Greater focus on non-regulatory mechanisms can provide direction and the tools to achieve the desired outcome.

Our data shows, in 2007, 21% of resource consent applications were processed in ten days or less, and 28% in 2012[1]. This is a significant percentage. It illustrates that a mandatory requirement is not required to achieve the desired outcome.

There exists a mandatory requirement through RMA section 21 whereby councils need to avoid unreasonable delay. This clause is supplemented by the professional standards of the planners at the DCC.

[1] 2007 is used because it is pre 2009 RMA amendment and pre global economic crisis, and 2012 because it is the latest full year.

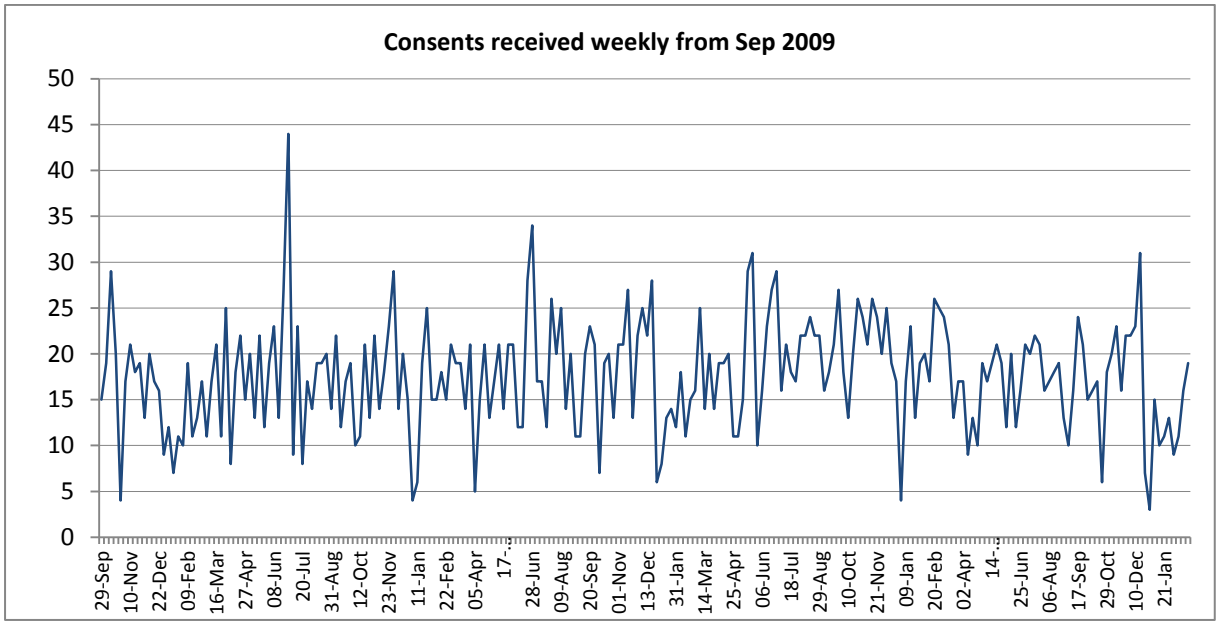
- *The Dunedin Context*

  The proposed change would affect the DCC's resource consent team in the following ways:

  - a change to the structure of the team will be required;
  - creation of new systems;
  - extra planner time (FTE) with additional costs for applicants;
  - other departments to provide input in less time, which is problematic if they are primarily dependent on one person; and
  - most importantly, severely compromising the ability to shift resources to adjust to areas of varying demand, which threatens to undermine a goal of statutory ten day consents.

  The following graph illustrates that consent activity is variable over a short period of time.

  Weekly consents lodgement



For the DCC, flexibility is very important for managing variable work flows. Having twenty working days provides for that. The following points provide a picture of the issues a DCC planner deals with and the negative effect of a ten-day regime.

- On average, a planner at the DCC will have between 10 and 20 applications at any time. It can include one or more notified applications. Work load is juggled depending on what is live or suspended, working days remaining, special requests from an applicant, etc.
- For efficiency and our particular operational needs, all planners are required to process all application types. This results in a team with the strength and ability to cope with a variable number and type of applications.
- Dedicating a planner to just certain application types (ten-day consents) is not practical because a variable flow of work means they could be under or over worked.

- The discount regulations may have a negative effect. Without the current flexibility of the 20-day consent regime, the ten-day consents may be sacrificed (going over five days on a $500 fee is a $25 penalty compared with $100 for a $10,000 notified going over time by one day).

Applying a ten-day time frame to subdivision applications is not supported because:

- simple subdivision applications are more complicated than simple land use consents;
- technical comments are required from other departments; and
- new regulations for soil contamination can become a trigger that results in unanticipated additional complexity and delay.

The quality criteria proposed to determine what can be processed in a ten-day time frame have been considered and the following concerns are raised:

- a determination on further information is made by the person with the delegation to grant the resource consent. Under the proposed process, there will need to be absolute certainty that no further information is required. If a pre-application meeting is compulsory, extra time, resources and cost will occur at the start. It is very rare for a person wanting a 'simple' resource consent to want a pre-application meeting. The planner processing the application will still have to be comfortable about the information provided because they carry the responsibility of processing the application correctly.
- the identification of affected party approval is not always simple. Only after an application has been lodged and assessed can a planner be sure all affected parties are identified. Providing greater statutory guidance may be possible but not straight forward.

3.3.2 A new process to allow an approved exemption for technical or minor rules breaches

The DCC does not agree with the proposal.

In theory, this may work but any potential gains are not expected to outweigh the negatives. There would have to be very clear guidance provided. Without this, councils would be at a greater risk of judicial review and complaints to the ombudsman, and, even with guidance, the risks are likely to be greater than before. It is also expected that more time will be spent discussing with neighbours why change is occurring without their input. This is an additional financial cost and will result in loss of some community good will. The DCC shares the frustrations when a proposal goes into a minor rule breach, but considers other mechanisms should be explored.

It is possible that any new RMA minor breach exemption definition or regulations will, in time, create a default permitted activity rule. For example, if the current permitted height plane is 63^{o} and 64^{o} is exempt, then architects and designers may use 64^{o} as the new permitted standard. Once it is embedded, we may end up asking the same question again in five or ten years, i.e. is 65^{o} appropriate? Councils may need to factor this into plan development. Also, a 1^{o} breach on a flat site has a different effect to one on a steep site, and a 1^{o} breach in Northland,

compared to Southland, may be more significant in terms of winter sun entering a house. There needs to be great care taken to ensure the localised effects are fully accounted for. It will be a great challenge to reconcile this and other matters when drafting exemptions that are acceptable throughout the entire country.

Overall, the proposed change has a number of costs including:

- it appears to be very difficult to draft;
- it is difficult to apply consistently across a range of situations;
- it may expose councils to extra risk, cost, and loss of good will;
- it will lose its perceived benefits over time as it becomes embedded;
- it has the effect of being a new permitted activity rule;
- people will lose some existing rights; and
- the benefits are likely to be less than the cost.

In reality, the issue arises because of a lack of understanding from designers about complying with plan rules. Councils have an important role to play in ensuring their rules are simple to understand, and in educating designers about how to comply with the rules. Designers have an equally important role to ensure they check the rules before submitting their building consent plans for approval. The majority of building consent applications have to be checked for planning compliance - a better option might be to require a planning checklist to be supplied with all building consent applications to demonstrate compliance with the district plan.

3.3.3 Specifying that some applications should be processed as non-notified

The DCC does not agree with the proposal.

No reasons have been provided in the discussion document to demonstrate why this would be needed. Nationally, notified applications account for only four per cent of all applications and limited notified another two per cent. In most situations, an application is notified because the effects are more minor and for the rest there are special circumstances. In both cases, it is considered appropriate for the community to have a say on the application. Not going through a limited notification process takes away the community's right to participate. Our experience in Dunedin is that it is extremely rare for a subdivision application to be notified where it complies with density. Our experience is also that DCC processing costs are not considered to be significant enough to warrant the change.

- *The Dunedin Context*
  From experience in Dunedin, the resource consent fees[2] for subdivision applications are not considered high. In 2012, there were 59 subdivision applications[3] for residential zoned land. These were processed for a mean resource consent fee of $1,153. They were all processed within the twenty-

[2] Only the DCC processing cost is invoiced; excludes section 223 & 224 costs which are additional

[3] This only covers sites residentially zoned. Sites that were in other zones or had a mixed zoning (e.g. residential and rural) have been excluded, even if the intention of those subdivisions was to create residential sites. Only fee-simple subdivisions are included. Only subdivisions included are those where the number of new sites is greater than the number of existing sites.

working day maximum. No doubt similar results are, or can, be achieved by other councils.

Attachment 1 illustrates actual processing costs across the full range of application types. It shows that, when all the subdivision applications (160) are included, the mean processing cost is $1,391. Overall, the DCC's processing costs are considered to be small in the context of the development that the resource consent provides for.

We have also looked for subdivision applications since 2007 for twenty[4] or more residential lots. These were all applications within a residential zone and were greenfield developments. The following table shows the average costs for each lot consented to. It demonstrates that, within Dunedin, the processing cost charged per lot is very low for larger applications.

	Number	Mean	Standard deviation	Low	Lower quartile	Median	Upper quartile	High
Subdivisions >=20 lots in residential zoned since 2007	11	$61	$42	$15	$23	$59	$71	$152

3.3.4 Limiting the scope of consent conditions

The DCC does not agree with the proposal.

The current legal mechanism already requires conditions to address only effects that need to be managed. If there is a need for better application of the conditions, non-regulatory mechanisms should be explored first. There is the opportunity for the Ministry for the Environment to take leadership in providing direction and assisting with training of planners. Greater consistency can best be achieved through greater awareness, training and monitoring.

It is standard practice at the DCC for draft subdivision conditions to be provided to the applicant's surveyor before completing the process, providing time is available. The largest proportion of non-notified applications have a single condition relating to being in general accordance with the application. There is also the ability to object (or appeal) to conditions, which we find usually results in issues being resolved without a hearing.

Consideration should instead be given to limiting the ability to impose private covenants on residential developments. Private covenants are much more restrictive and add more to development costs than any consent conditions or district plan rules.

[4] Market demand and structure within Dunedin is such that an application for twenty or more lots is considered large.

3.3.5 Limiting the scope of participation in consent submissions and in appeals

The DCC does not agree with the proposal.

Narrowing the notification of an application to certain matters will be problematic. The new process will be difficult and likely to expose councils to a greater risk of challenge than the current established and simple process. Even if a formal legal challenge is not made, a new process is likely to result in informal challenges at the council level. It will cost time and money to defend these challenges. There is also a loss of good will because of perceived failure of DCC process rather than the statutory process council was required to follow. If the proposed approach is not carefully developed and implemented, it could also reduce the rights of people to participate in the resource consent process.

The problem is not clearly defined through the example of an apartment building in the discussion document. No background information is provided about the building, the environment, the plan framework or the rule status that applies. It is the activity classification that matters. If the activity is discretionary or non-complying, it is reasonable to assume the public may have a vested interest in commenting on all the effects of a proposed building.

- *The Dunedin Context*
  From the DCC's experience, when a hearing occurs, people are generally focussed on key issues. Using a new formal process to narrow the submission adds complexity with no obvious net gain. It should also be noted that limiting what can be submitted on and what can be appealed will not necessarily reduce challenges to resource consent applications.

3.3.6 Changing the consent appeals from de novo to appeals by way of rehearing

The DCC agrees with the proposal.

The DCC supports in general changes that result in mechanisms that improve the appeal process. Experience with resource consent appeals on the more minor matters has shown that the existing mechanism of mediation works well and is more efficient than a full court hearing, and tools such as joint statements of facts focus attention at the court hearing. The changes should not undermine existing positive mechanisms. The proposal needs to be further developed before the DCC can be confident it is more efficient in terms of time and cost.

3.3.7 Improving the transparency around consent processing fees

The DCC does not agree with the proposal.

Councils should retain the flexibility to decide when fixed fees can be applied. There may be situations where a fixed fee is practical. This should be assessed by each council, taking into account its particular requirements, and community consultation through the annual plan process. In the DCC's experience, it is very rare for a request for an estimate to be made, so we do not know why it should be considered mandatory. If an estimate was to become a legislative

requirement, it is expected to add cost to each application. Such a proposal needs to be carefully thought through.

The Quality Planning website provides useful discussion and guidance on the fixed fee and the fixed deposit approach. It does not decide that one is better than the other, but recognises the benefits and negatives a council should take account of. The Productivity Commission also did not recommend a mandatory fixed fee approach over the current process.

- *The Dunedin Context*

  The DCC used to have a fixed charge system. This was changed for the 2009/2010 financial year because cross subsidisation was considered to be too high. At the time, the DCC was the exception to the rule. There may be situations where fixed fees can be applied, but discretion should rest with a council. Moving to a fixed fee system will mean a degree of cross subsidisation even for the smallest of applications, but the community may be prepared to accept this. This is a decision that should be left to councils and the community through the annual plan process.

  Greater certainty for an applicant can instead be provided through the provision of information. Like Christchurch City Council, the DCC provides a table of actual costs for processing resource consent applications for certain activities (refer Attachment 1). This provides a reasonable understanding of what costs to expect at the start and has a function that aligns with an estimate. The data behind this is used to set the fee deposits at a level that ensures as many applications as possible will not be invoiced or refunded at the end, and also to ensure cross-subsidisation does not occur. The accuracy of the fee process is at its best when the assessment is narrowed to one simple breach of a permitted activity rule, which is the case with the Christchurch City Council fixed fee.

  It will be necessary to provide national guidance on exactly what an estimate means and what it contains. Without clarity, there will be new frustrations for councils and applicants.

  The quality of the estimate will depend greatly on the information provided, staff knowledge of processing costs, the complexity of the application and certain assumptions. To provide a meaningful estimate, an application will have to be lodged first and then an initial assessment made. Even early on, there is a chance the estimate might be wrong because something has been discovered e.g. research showed the site is a HAIL site as identified by Government regulations. A conservative approach may become common if a council is not confident it has good information. There is also a risk an application may turn from non-notified to notified. There are many variables to account for.

3.3.8 Memorandum accounts for resource consent activities

The DCC does not agree with the proposal.

The proposed approach will be an additional statutory requirement that is not considered to add any material benefit to people seeking resource consent from

the DCC. It is anticipated to result in additional compliance cost. The DCC is of the opinion that adequate information is already provided without additional statutory requirements and our current processes are robust.

- *The Dunedin Context*
  The DCC has never sought to over-recover costs, it has not inadvertently benefited from over-recovery, nor has it ever engaged in erratic fee adjustment to manage a previous year where fees were over or under actual processing costs. Again, it would be beneficial to see the background information that identifies this as a problem.

  The DCC has a rigorous process of identifying what services can be charged for as provided for by RMA section 36. Best practice has been assisted by the Quality Planning website. The annual plan process is transparent whereby information on the council funding policy on the RMA regulatory functions, how funding is distributed between rates and fees (percentage and actual dollars), fee structure and staff charge out rates are all identified.

  The DCC makes available to all applicants the fee structure for resource consents and staff charge out rates. Also available is a table of the average cost for a wide range of common activities that require resource consent such as a deck or a garage. Providing the average costs appears to provide a useful function that is akin to a formal estimate.

  Section 36(4)(a) of the RMA states 'the sole purpose of a charge is to recover the reasonable costs incurred by the local authority in respect of the activity to which the charge relates'. The DCC is audited and no issues have been identified with fees. The annual budget is carefully set at a level where only actual costs will be recovered if resource consent staff are fully engaged because the volume of application and resources are in balance[5]. If the balance is not perfect and applications are less than budgeted for, revenue will fall short. The shortfall will be met by DCC resources. This is normally mitigated in part because budgeted operational spending is not likely to be fully utilised in these instances. If the volume of applications is greater than anticipated, revenue will be greater than budgeted for, but so will operational costs. If this was to occur then additional staff would be required to manage the extra work[6], which might be permanent staff, short term contractors or consultants. Resourcing can only be with existing charge out rates, which means only actual costs are recovered.

  The DCC and other councils have tried in the past to benchmark resource consent team processing costs. We are not aware of this working in any meaningful way. A key difficulty arises from the wide range resource consent team structures, to the point that no two are the same. The points of difference that make comparison difficult include:
  - funding policy (full recovery, partial recovery);

[5] This is a challenge because revenue and staff is being set in place ten months before the relevant annual plan starts and twenty two months before it finishes.
[6] This happened during the boom years from 2003 into 2009 when additional staff were required, which was problematic as it timed with a nationwide shortage of planning staff.

- what staff time is charged for (planning staff only, other departments contributing);
- what experts are located within a planning team (some have none, others have some such as engineers, hazard experts, urban designers, some are charged for);
- allocation of overhead costs and technology costs (small councils generally make less use of complex/expensive technology because economies of scale are not favourable);
- how RMA section 36 is applied; who is delegated to make decisions on applications (staff are cheaper than commissioners); and
- what rule status is applied to the same activity in different councils.

3.3.9 Allowing a specified Crown-established body to process some types of consent

The DCC does not agree with the proposal.

The DCC does not support a new Crown body processing resource consents. The proposed change challenges one of the fundamental rights of local democracy, whereby the community get to participate in a decision that has a significant effect on them. The discussion document does not provide information or reasons to support the change. The current framework provides for large applications, depending on the specifics, to go through on three paths: processed by the EPA; considered by the Environment Court by direct referral; requesting independent commissioners, or processed as a notified by a council. Adding a fourth option is not needed nor considered to add value.

The proposed option is focused on the time spent to process an individual application. It does not recognise that the RMA Amendment Bill 2012 proposes a gross processing time for notified applications that aligns with the time frame for a new Crown body. Establishing a new gross processing time frame requires certainty that a decision is made within a defined period. If this is the motivation, a new Crown body will provide the same outcome, but will cost more because a new process needs to be established and maintained. It also takes away from the community's ability to make decisions that directly affect them.

The fact that the use of the Crown body would be reviewed after a period indicates it may not be considered a long term solution, but one intended to address a perceived hot spot in Auckland and Christchurch as special cases. Even if this process was to speed up the process of rezoning land, it may be of little use if there is already plenty of land available, but owners are choosing not to release it at a rate than reduces their financial return.

- *The Dunedin Context*

  From our experience, the current consenting process is not seen as a hindrance. It is rare that an application to subdivide greenfield residential zoned land needs to be notified. When notification occurs, it is invariably because the density is higher than the residential zone provides for, which then becomes a non-complying activity in Dunedin. If proposed density complies with the zoning, a non-notified process can be anticipated as restricted discretionary activity.

The following table illustrates the point. The two consents are for the same site but issued in 2009 and 2010. This is the largest number of residential lots created in Dunedin in the last ten years. The 2009 consent was processed non-notified (a restricted discretionary activity) and was obtained first. The 2010 consent was notified (non-complying activity). The second application occurred because the developer decided to change the development to create some lots below the minimum density requirement. The point to take from this is that the DCC's processing fee associated with each lot of our largest subdivision development is a tiny portion of the estimated $150,000[7] price the lots may sell for, whether it is non-notified or notified.

	Existing sites	Proposed sites	Additional new sites	Application fees total	Fees per new site
2009	1	115	114	$7,636	$67
2010	3	118	115	$17,496	$152

While section 3.3.9 seems to be focused on the resource consent process, it does briefly mention the plan change process. Enabling plan changes to have access to an alternative Crown decision-making body is not supported for the same reasons it is not supported for resource consent applications. Having enough land available to accommodate increases in housing demand can be managed through existing mechanisms, which have been discussed in the submission.

3.3.10 Providing consenting authorities tools to prevent land banking

The DCC does not agree with the proposal.

The DCC does not support this proposal simply because it is not considered a viable one. The DCC views housing affordability as a very important issue. We also recognise that it is a very complex problem and one expressed in the recent Productivity Commission report.

The DCC acknowledges that land banking occurs. If properly managed it does not have to be a problem. However, it does become a problem if supply is kept near or below demand resulting in prices increasing accordingly.

The solution identified in the discussion document will not work for a number of reasons. Some to consider are:

- it is difficult to see how the DCC could force a consent holder follow to through with the subdivision consent.
- a land owner may decide to release only a small portion of their land at a time. This can be achieved through a staged subdivision consent or multiple resource consent applications. Processing costs in Dunedin make this a viable option.
- a land owner may decide to let their resource consent lapse because the economics are no longer appropriate for their particular needs. Making the same application at a later date is cheaper for the applicant because the previous work can be used to keep costs down.

[7] Adjacent lots are in same zone sell for $150,000 upwards.

- RMA section 125 was previously amended to increase the defaulting lapsing time from two to five years. The discussion document does not provide evidence of the reasons for taking a step back from five years to three years. Even if the amendment was made, developers will still make the same economic evaluation be it three or five years (i.e. decide whether it was better economically to let the consent lapse or carry on).
- a land owner could simply decide not to release their land for further development. This is more likely when the zoning has changed and the existing owner is not prepared to see the use of their land change.

Land banking difficulties arise also at plan development or rezoning phases. Situations may arise where areas are rezoned to provide for additional development. However land owners, while in agreement initially, may change their plans and have no intention of achieving this or maximising their returns quickly by on-selling for a high cost which then makes any future development costs higher.

If landowners are to be encouraged to release their land where it is zoned residential, it will most likely have to be through mechanisms other than RMA-based ones. Land development is invariably undertaken for personal economic reasons. Therefore encouragement needs to be through economic means. The DCC has no formal position on options but one might be a tax disincentive to holding on to the land for long periods.

3.3.11 Reducing the costs of the EPA nationally significant proposals process

The DCC agrees with the proposal.

The DCC supports a mechanism that reduces costs, provided it does not compromise the professional and participatory RMA processes. While reducing the size of an advertisement could do this, the cost of an advertisement is a tiny portion of the overall cost, especially if the overall process is in excess of $1-2 million.

The proposed approach briefly outlines five other proposals. The DCC's comments are as follows:

1. Provided the processes are subject to a clear and fair procedure any reductions in cost obtained can be supported.
2. The use of electronic documentation is supported. This should be encouraged but for a while longer a paper option must remain for those that do not have access to, or aren't comfortable with, electronic tools.
3. If a draft decision remains and is reduced to ten days, people should be warned when to expect the draft decision so they can plan for time to consider it.
4. If the EPA is to provide planning advice, its staff should be required to meet the same standards as a professional planner presenting evidence to the Environment Court.
5. A council can issue interim accounts but it cannot stop the application process. If the EPA can stop an application process for a resource consent because a progress payment has not been made, it would seem appropriate

to apply the same standard to notified applications processed by a council. The effects are the same because of the relativity between the costs of a large notified application for a council compared to the cost of nationally significant application to the EPA as a Government organisation.

Proposal 4: Better natural hazard management

The DCC agrees with the proposed approach. The DCC notes that such an approach will only be effective if the decision-maker has access to good information about the full risk of natural hazards.

Proposal 5: Effective and meaningful iwi/Maori participation

The DCC agrees with the proposed approach. The DCC has arrangements in place for input into consents and policy development through its Maori Participation Working Party and Kai Tahu ki Otago Ltd. The DCC is also a member of the Te Ropu Taiao Otago, a forum between Kai Tahu ki Otago and the local authorities of Otago.

Proposal 6: Working with councils to improve practice

The DCC agrees that development and planning should be a collaborative exercise. This will help to reduce complexity. Attempting to be more focused on monitoring outcomes instead of timeframes would be supported. There is already a range of monitoring required and improving its efficiency is encouraged and supported.

3.7 Addressing housing affordability

The DCC does not consider that the proposed reforms will haveany significant effects on resolving the housing affordability issue that has arisen in some parts of New Zealand. While this is an important and complex issue, it should not be used as a driver for the proposed RMA reforms. The assumptions set out in the discussion document in relation to housing affordability are not reflective of the situation across the whole country.

Dunedin does not have a housing affordability issue. The focus in Dunedin is a housing quality issue, which the RMA cannot resolve. However, the DCC would welcome both consideration of powers for local authorities to improve housing quality and central Government consideration of how it uses its accommodation allowance system to moderate housing demand in New Zealand.

Based on the *Dunedin City Residential Capacity Study (Dunedin City Council 2009)* Dunedin has capacity for residential development of approximately 13,069 sites, consisting of vacant and infill sites that are currently zoned for residential purposes and

fully serviced. This provides sufficient capacity to cater for up to 60 years based on current medium population projections. However, this is based on capacity in areas with low demand and calculated on existing densities which are intended to be changed in the 2GP to give effect to the urban form outlined in the Dunedin Spatial Plan. In Dunedin, the subdivision consent processing cost is seen as an insignificant part of the overall cost of land development and housing. In 2012, the average fee paid to the DCC for a subdivision consent was $1,153. A large 115 lot residential subdivision processed on a non-notified basis incurred a DCC processing fee of $152 per lot.

Attachments 2 and 3 provide information sheets about housing affordability in Dunedin that the DCC recently produced for the *Otago Daily Times* to clarify the results for Dunedin of the *9th Annual Demographia International Housing Affordability Survey: 2013*.

3.8 Implementing the proposed package of reforms

The DCC would like to emphasise that implementation of the package of reforms will impose significant costs, resources and time on the DCC, particularly during the transitional phase, in a time when fiscal constraints are in force. The estimated timeframes outlined will result in a delay between the 2013 Bill and any guidance being provided. Yet again councils are left to their own devices to figure it out with little support or guidance to manage on going issues for practice, interpretation and plan administration as a result of legislative changes.

The DCC emphasises that thorough consideration needs to be given to any transitional provisions and timing for the implementation of the reforms given that many councils are in the process of plan review and preparation of second generation plans.

Attachment 1 - Application processing charges for 1 July 2011 to 30 June 2012 period

The following table summarises the actual charges for the processing of resource consents and other related applications for the period from 1 July 2011 to 30 June 2012. All figures are GST inclusive with a GST rate of 15%. Some applications require technical input from the DCC's engineering consultant. The charges for this input are apportioned to each application as required and have been taken into account in the table below.

Some resource consents require monitoring. The charges for this monitoring are apportioned to each application as required and have been taken into account in the table below.

	Number Completed	Deposit 2012/13	Average Paid	Highest Paid
Non-notified land use consents				
Category B				
All Category B applications	47	$560	$496	$727
Carports/garages	14	$560	$518	$727
Decks	7	$560	$476	$560
Dwelling extensions/alterations	14	$560	$532	$695
Residential accessory buildings	10	$560	$470	$680
Category C				
All Category C applications	167	$820	$809	$2,959
Carports/garages	35	$820	$558	$1,070
Decks	3	$820	$509	$689
Dwelling extensions/alterations	12	$820	$623	$920
Dwellings new	28	$820	$728	$2,959
Earthworks	23	$820	$1,150	$1,987
Retaining walls	18	$820	$1,136	$2,143
Category D				
All Category D applications	179	$1,200	$1,168	$5,604
Commercial	29	$1,200	$1,544	$5,604
Community support activities	11	$1,200	$1,417	$2,647
Activities in Landscape Management Areas or Urban Landscape Conservation Areas	7	$1,200	$947	$1,697
Non-notified subdivision consents				
Category A				
All Category A applications	160	$1,750	$1,391	$6,349
Limited notified consents				
Limited notified consents	7	$3,000	$4,759	$7,795
Notified consents				
Notified consents	14	$6,000	$8,335	$21,184
Other Resource Management Act applications				
Extension of time (s125)	11	$570	$604	$1,072
Variation of land use consent conditions (s127)	32	$400-$600	$687	$2,399
Variation of subdivision consent conditions (s127)	12	$640	$874	$2,003
Certificate of compliance (s139)	15	$700	$664	$910
Existing use certificate (s139A)	0	$800	nil	nil
Outline plan approval for designations (s176A)	2	$1,200	$1,357	$2,099
Consent notice change/cancellation (s221)	3	$200	$797	$988
Part/whole cancellation of easement (s243)	5	$400	$385	$490
Other legislation applications				
Planning certificate for Sale of Liquor	55	$280	$263	$383
Overseas Investment Commission certificate	0	$290-$850	nil	nil
Cancellation of Building Line Restriction	13	$300	$258	$344
Creation of Right of Way	13	$700	$515	$1,062

Attachment 2: Housing affordability in the Dunedin urban area

What is housing affordability?

Housing affordability is influenced by a complex mix of factors that includes the cost of land, the cost of building, household income, and the availability of land or dwellings. A housing affordability index that considers the cost of housing in relation to the household income provides the most accurate indicator of affordability of housing across the country. In New Zealand, the Massey University College of Business calculates these values at regional scale. Within a smaller geographic setting such as Dunedin, where residents have access to the same jobs and salaries, the absolute price of houses can be compared across suburbs.

How does Dunedin rate for housing affordability?

In 2010, the population of Dunedin was 116,600. This compares with 124,400 for Napier-Hastings, 120,000 for Tauranga and 203,400 for Hamilton. In comparison to these four cities, the mean house prices for Dunedin is substantially lower (Table 1). This contrast was noted in a report written for the Dunedin City Council by The Property Group (Grey 2011) that ranked Dunedin as one of the most affordable cities in New Zealand for those aspiring to own a home. However, given that incomes vary across the country, considering the affordability of housing based only on house prices may be misleading. The latest housing affordability index released by Massey University shows that affordability within Otago, excluding the Queenstown Lakes District, is equal to the Manawatu/Whanganui region, and second only to Southland.

Table 1. A comparison of sales prices for residential property and standalone dwellings in Dunedin, Tauranga and Hamilton. Figures represent sales that occurred between 1 April and 30 June 2012.

City	Mean sale price for all residential property (number of sales)	Mean sale price for standalone dwellings (number of sales)
Dunedin	$274 ,000 (530)	$269,000 (603)
Tauranga	$396,000 (555)	$396,000 (642)
Hamilton	$375,000 (593)	$344,000 (830)
Napier	$348,000 (222)	$332,000 (278)
Hastings	$339,000 (221)	$309,000 (284)

Source: QV quarterly sale summaries (http://www.qv.co.nz/onlinereports/marketstatistics/) accessed 12/11/2012

How do house prices vary across the city?

House sales data from 2010–2012 revealed a considerable amount of variation in house prices across urban Dunedin (Figure 1 and 2). Among the established locations in Dunedin, those that commanded the highest prices were Maori Hill, the University, Roslyn/Belleknowes and St Kilda, ($435,638 to $351,665). In contrast, those suburbs with the lowest mean house prices included South Dunedin, Caversham, Port Chalmers and Green Island/Abbotsford ($175,908 to $217,322).

Figure 1. Map of mean house price by location within Dunedin residential zones (2010-2012).

Source: Dunedin City Council records.

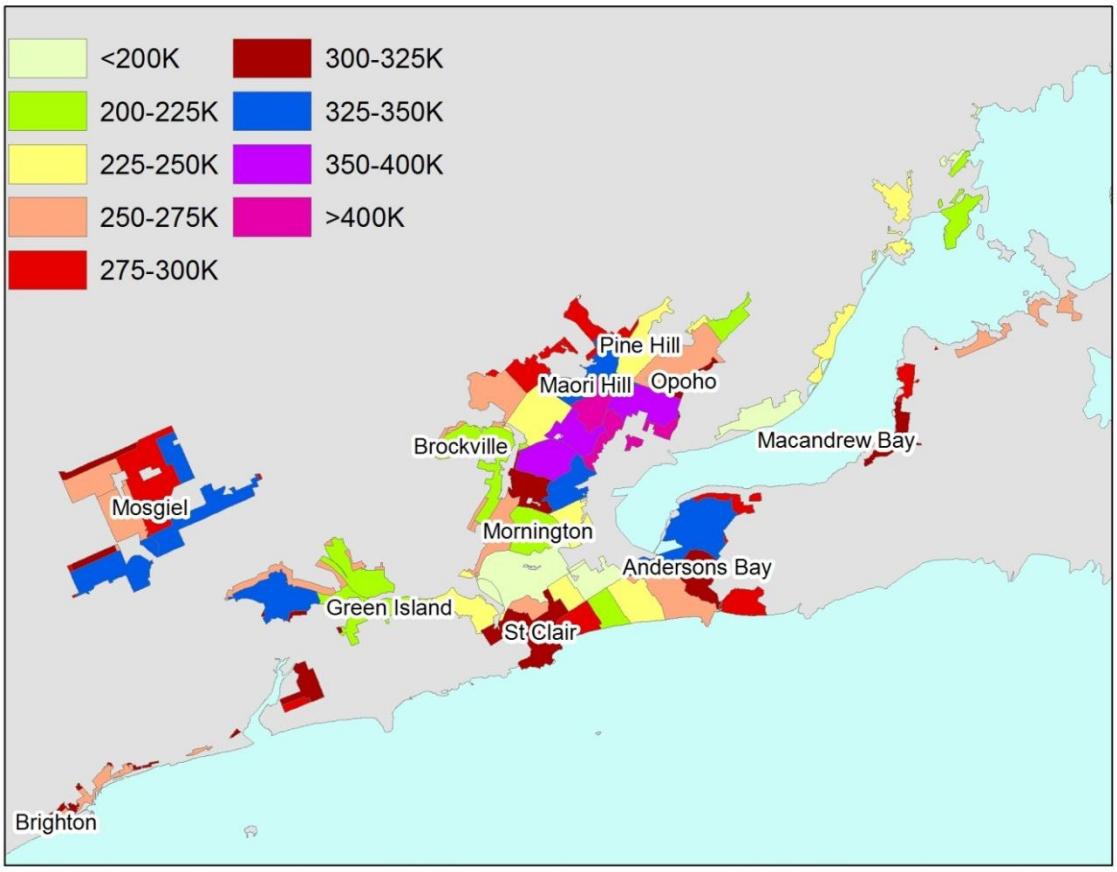
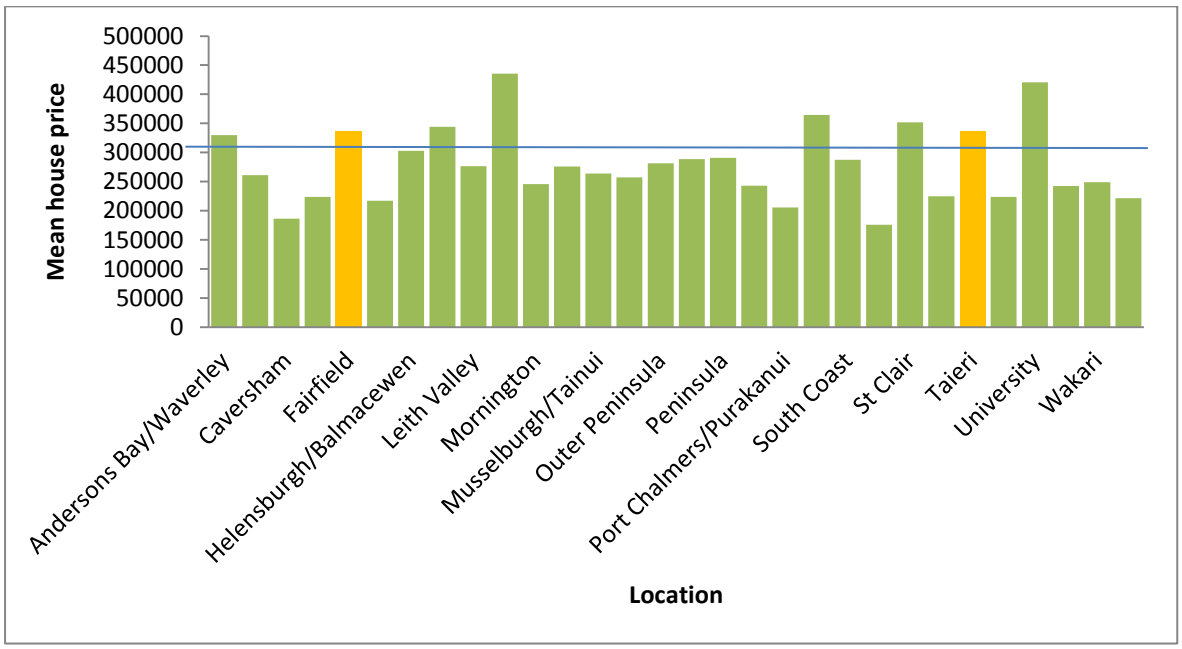


Figure 2. Mean house price by location within Dunedin residential zones (2010-2012). The horizontal blue line indicates the mean house price for Dunedin. Source: Dunedin City Council records.



Would additional land release for greenfield development lead to more affordable housing in Dunedin?

This is a contentious question. Within Dunedin much of the recent greenfield development has occurred in Mosgiel and Fairfield, which are among the more expensive locations in Dunedin (Figure 2), well above the average price of of $278,916. Furthermore, based on Government estimates (www.dbh.govt.nz/bofficials-estimated-building-costs) a small house (145m^2) would cost approximately $253,360 to build, excluding the cost of land. These data alone suggest that housing developments on greenfield site are not likely to be available to households on lower incomes.

What are the significant factors that DCC considers when deciding where additional urban land should be created?

The capacity of existing infrastructure is an important consideration. While there are few constraints associated with water supply in Dunedin, there is significant strain on both waste and storm water across large areas of Dunedin. Until these systems are upgraded, this will limit where expansion can occur. The existence and capacity of other services and facilities, such as schools and public transport, are also important.

The cost of providing new services and infrastructure to new developments needs to be considered. While developers contribute to the creation of new infrastructure, the DCC (and therefore ratepayers) also pay a significant contribution for each new dwelling. The cost of providing services and infrastructure for residents living in new developments can be as much as twice that for new residents in redeveloped brownfield sites (Trubka, Newman and Bilsborough 2010).

Hazards including land instability, contamination from historical land use, risk of flooding, storm surge or tsunami are considered, as is the potential effect of future sea level rise. The DCC will also take into consideration competing values such as high class soil and the native biodiversity of the area proposed for development.

Do we need additional residential land at this point in time?

In 2010, Statistics New Zealand estimated that, based on existing population growth, Dunedin would need a further 7,700 dwellings by 2021. Based on predicted demographic changes, these will need to include small one and two bedroom apartments as well as large stand alone houses generally associated with greenfield development. While 7,700 dwellings may seem significant, residential capacity analysis carried out by the Dunedin City Council in 2009 identified 7,043 vacant sites and a further 8,094 sites that could be created through subdivision, according to current District Plan rules. Even if you exclude the 36% of these sites that were identified as having some development constraints, that still leaves a large number of additional potential sites.

What are the key housing issues for Dunedin

Overall, the statistics indicate that the biggest issues for housing in Dunedin are type and quality, not the quantity of housing or building sites. The age of our housing stock means we have a large percentage of old and cold houses that, if not properly retrofitted, will perform poorly in terms of energy costs and potential effects on health outcomes for residents. Secondly, a large percentage of our housing stock is designed specifically to suit families, with 3-4 bedrooms or more and large gardens, whereas our demographics (like many other western countries) is trending toward smaller households and an aging population. Overall,

the biggest shortage of housing in the future is likely to be for small, modern, energy efficient and warm houses with much smaller private gardens or alternative open spaces (e.g. shared spaces, balconies, roof top gardens), in handy locations close to shops, services and transport options.

References

Grey, N. (2011) Dunedin's social housing future: An assessment of future social housing need in Dunedin City 2011–2031. The Property Group Limited, Wellington.

Trubka, R., Newman, P., and Bilsborough, D. (2010) Assessing the costs of alternative development paths in Australian cities. Curtin University Sustainable Policy Institute, Freemantle.

Attachment 3: Housing Affordability in Dunedin a response to the figures released by Demographia

The *9th Annual Demographia International Housing Affordability Survey: 2013* was released recently. Demographia is a USA-based free-market political advocacy organisation with close associations to Owen McShane in New Zealand.

The Demographia report assessed housing affordability using an index known as the median multiple, which is the median house price divided by the gross before tax annual median household income. Demographia considers a median multiple of 3.0 as affordable. With a median multiple of 5.1 Dunedin ranks fifth highest out of eight metropolitan regions in New Zealand, and is considered severely unaffordable (Figure 1).

This aspect of the report was presented in an article in the *Otago Daily Times* titled 'Dunedin high on unaffordable list' (Hartley 2013). Many people may cite this figure as an argument for encouraging more greenfield housing development in Dunedin, but a more detailed look at the figures reveals that this would do little to affect the housing affordability calculation and as a rule is likely to lead to an overall decrease in affordability as cities that sprawl are inevitably more expensive to maintain and service at a similar level of service per population than more compact cities, and personal transport costs rise on average with distance from the urban core (TRB, 2000).

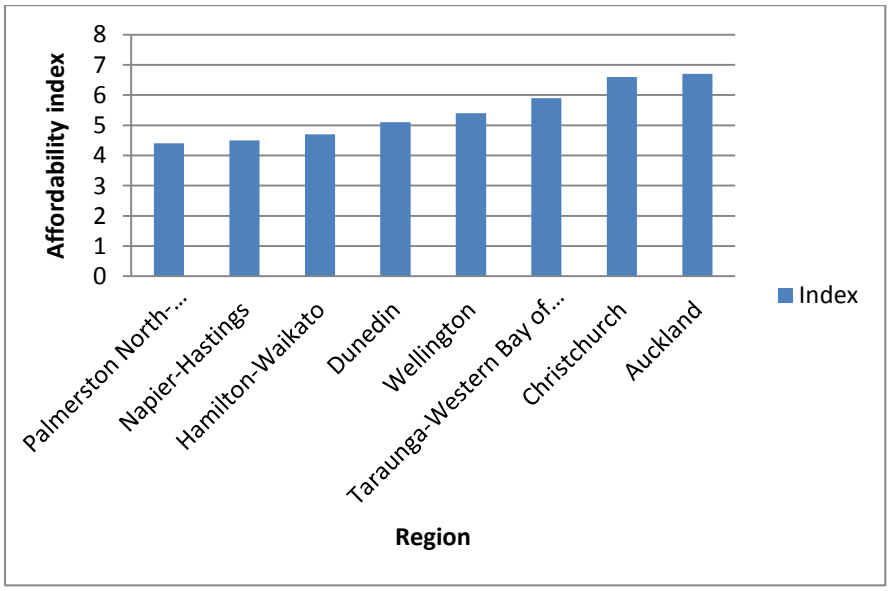


Figure 1. The housing affordability index for selected metropolitan regions of New Zealand.

Dunedin's ranking as severely unaffordable can be better understood when the individual constituents of the ranking are examined. The median house price for Dunedin of $251,600 is the second lowest of the New Zealand centres included in the survey (Figure 2). However, because Dunedin has the lowest median household income ($49,800), the median multiple is relatively high. It should also be noted that the estimated cost of building a new 150m^2 house in Dunedin (as part of the lower half of South Island study region) is $256,360 (Ministry of Business Innovation and Employment, 2012), more than the median house price. Therefore, even if one could find a free section in a greenfield development, the cost of building the house would be higher than the median house price.

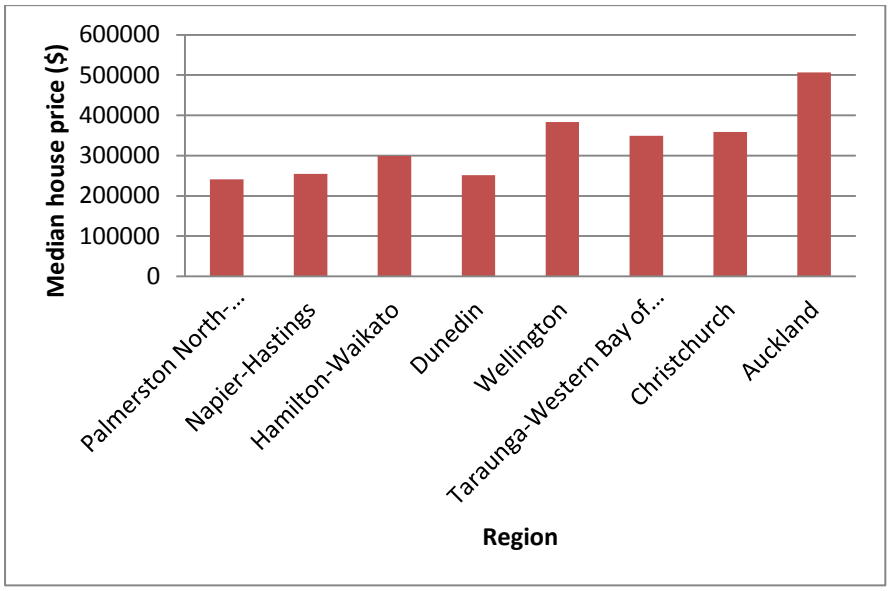


Figure 2. Median house price for selected metropolitan region in New Zealand.

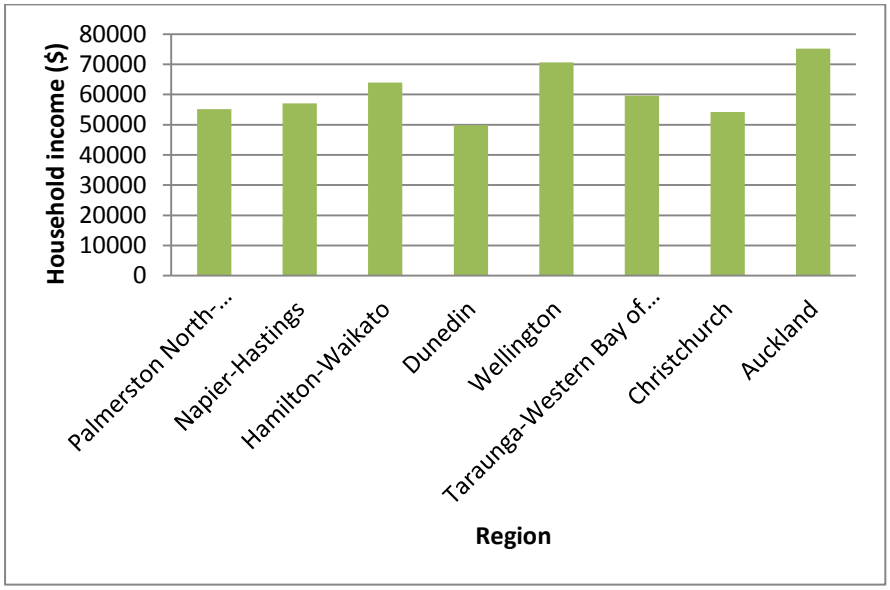


Figure 3. Gross before tax median household income for selected metropolitan regions in New Zealand.

The data presented in the Demographia report also overlooks a key characteristic of the Dunedin population that may have a significant effect on the median multiple - Dunedin has a large student population. In Dunedin, university students account for 17.3% of the total population, second only to Palmerston North and substantially greater than any of the other centres included in the Demographia survey (Figure 4). The high proportion of students is likely to affect the median household income significantly. In Dunedin, adults studying 20 hours or more a week had a median income of $4,800 per annum, compared with a median of $17,800 for adults that were not studying (Stats NZ 2007). Further to this, as a result of high demand and high rental returns from students, the median house price for 2012 in the University area was $428,007, significantly higher than the Dunedin median. A more accurate representation of housing affordability in Dunedin should reflect the student population of Dunedin, which has a low income and little to no home ownership aspirations.

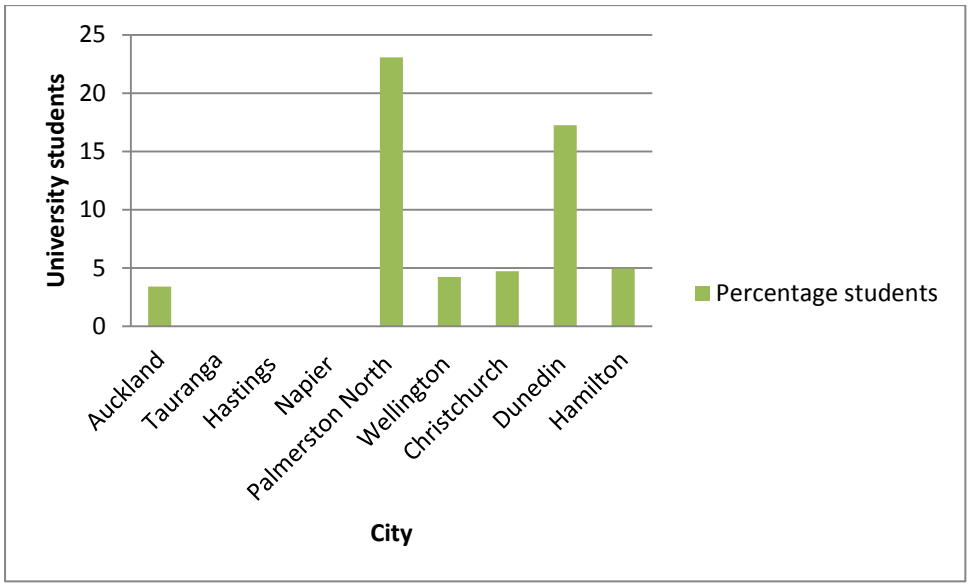


Figure 4. Population of university students as a proportion of total population for selected metropolitan regions of New Zealand.

References

Demographia (2013) 9th Annual Demographia International Housing Affordability Survey: 2013. Belleville Illinois.

Hartley, S. (2013) Dunedin high on unaffordable list. Otago Daily Times. Online Edition 24 January 2013.

Statistics New Zealand (2013). New Zealand: An Urban/Rural Profile. http://www.stats.govt.nz/browse_for_stats/people_and_communities/Geographic-areas/urban-rural-profile/main-urban-areas/economic-standard-living.aspx.

Transportation Research Board, Transit Cooperative Research Program (TCRP) (200) Report 74: Costs of Sprawl. National Academy Press: Washington, D.C.