



## Office of Hon Bill English

Deputy Prime Minister  
Minister of Finance  
MP for Clutha-Southland

**- 8 SEP 2014**

Mr Murray Sherwin  
Chair  
New Zealand Productivity Commission  
PO Box 8036  
The Terrace  
WELLINGTON 6143

Dear Murray

### **TERMS OF REFERENCE FOR AN INQUIRY INTO THE SUPPLY AND DEVELOPMENT CAPACITY OF LAND FOR HOUSING IN NEW ZEALAND CITIES**

I am pleased to refer to you the terms of reference for a Productivity Commission inquiry into the *Supply and development capacity of land for housing in New Zealand cities*, on behalf of referring Ministers.

The Government is interested in the scope for potential improvements in local and regional authorities' land-use regulation, planning and development systems. The focus of the inquiry should be on the delivery of adequate supply of development capacity for housing particularly in areas of urban growth. The analysis and recommendations you develop will provide useful guidance for local authority planning systems and build on the recommendations of your previous inquiry into housing affordability.

I wish you all the best as you commence the inquiry and look forward to your results.

Yours sincerely

Hon Bill English  
**Minister of Finance**

# **Productivity Commission inquiry into the supply and development capacity of land for housing in New Zealand cities**

## **Terms of reference**

Issued by the Minister of Finance, the Minister of Housing, the Minister of Local Government, and the Minister for the Environment (the “referring Ministers”).

Pursuant to sections 9 and 11 of the New Zealand Productivity Commission Act 2010, we hereby request that the Productivity Commission [the Commission] undertake an inquiry to assess and identify improvements in local and regional authorities’ land-use regulation, planning, and development systems. These systems should be reviewed with respect to how they deliver an adequate supply of development capacity<sup>1</sup> for housing.

## **Context**

Ensuring that rapidly growing cities can efficiently supply and use land to house people in an affordable manner has the potential to make a significant difference to New Zealand households’ living standards and support national productivity and macroeconomic stability.

The Productivity Commission’s 2012 report – *Housing affordability*, identified planning, land-use regulation and the systems for supply of infrastructure as playing a critical role in managing the growth in cities. The Commission’s 2012 report, and its 2013 *Local government* report, highlighted variability in regulatory practices across local and regional authorities. This inquiry seeks to explore and understand the practices of local and regional authorities in more detail, with the aim of improving overall performance, given that, over the next several decades, the population in several major cities will grow significantly.

Local and regional authority planning systems aim to balance the competing social, environmental and economic impacts of development. Planning systems and land regulations include the regulatory requirements imposed by central, local, and regional government and the actions of regulators. Development systems include the institutions, plans, policies, processes and appeal rights on the use of land, including changes to its use.

Planning and development systems affect the potential uses of land with the intention of delivering social benefits to the local community. Delivering these social benefits will have a significant influence on the cost, availability and development capacity of land for new housing.

The past decade has seen a large increase in New Zealand house prices. The reasons for this increase are multi-faceted. One important factor has been the approach to land-use planning and regulation.

Over time the range of objectives of local authority planning systems has increased and the environment in which they operate has become increasingly complex. The

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<sup>1</sup> the potential for housing supply across all existing and prospective new urban areas that is enabled by the zoning decisions, planning regulations and processes, and infrastructure investments of the local authority.

framework within which local authorities reach decisions has been subject to ongoing reform, but there remains significant autonomy for local authorities to set their own rules and make decisions on development within their area. This is consistent with the promotion of local democracy and the concept of subsidiarity. There are increased requirements to extend the planning horizon in dealing with environmental and infrastructure issues.

Decisions about the use of land are important to the community. They involve costs to some, and benefits to others. Community consultation can and should influence the outcome, but the ways and means of consulting with the community need to be carefully considered to ensure that the needs of the entire community, including the needs of future generations, are being met. Identifying leading practices and innovation in consultative processes is an important way to improve processes, performance, and outcomes across New Zealand.

### **Scope and aims**

The Commission is requested to undertake an inquiry to examine and report, in a comparative sense, the by-laws, processes, and practices of local planning and development systems to identify leading practices that enable the timely delivery of housing of the type, location, and quality demanded by purchasers. The Commission should particularly focus on urban growth areas, including any early lessons from the Housing Accords and Special Housing Areas Act 2013, and consider successful international experiences with urban development.

Planning and development systems should be reviewed with respect to how they deliver an adequate effective supply of development capacity for housing. The inquiry should review practices of the larger urban planning and development systems, including but not limited to the authorities of the largest and/or fastest-growing urban areas, and any comparable international urban areas with valuable lessons.

The Commission would be expected to provide information on absolute and relative performance, identify leading practices, and make recommendations to improve performance with respect to: (i) policies, strategies, outcomes and processes for urban land supply, including the provision of infrastructure; (ii) funding and governance of water and transport infrastructure (iii) governance, transparency and accountability of the planning system; (iv) the implication of leading practice for the range of laws governing local authority planning; (v) involvement and engagement with the community.

### **Exclusions**

This inquiry is not a fundamental review of the Resource Management Act, and does not include the processing of building consents. It does not include consideration of changes to the ownership of infrastructure assets, but does include the funding and governance (including legal structure of ownership) of those assets.

### **Consultation**

To ensure that the inquiry's findings provide practical and tangible ways to improve the performance of development and planning systems, the Commission should work closely with Local Government New Zealand, Society of Local Government Managers and the wider local government sector.

**Timeframes**

The Commission must publish a draft report and/or discussion document, for public comment, followed by a final report that must be presented to referring Ministers by 30 September 2015.

HON BILL ENGLISH, MINISTER OF FINANCE

HON DR NICK SMITH, MINISTER OF HOUSING

HON PAULA BENNETT, MINISTER OF LOCAL GOVERNMENT

HON AMY ADAMS, MINISTER FOR THE ENVIRONMENT.