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Infrastructure New Zealand is the peak industry body for the infrastructure sector and promotes best practice in national infrastructure development through research, advocacy and public and private sector collaboration. Infrastructure New Zealand members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.

This submission represents the views of Infrastructure New Zealand as a collective whole and may not necessarily represent the views of individual member organisations.

## **Infrastructure New Zealand submission on the Urban Development Bill**

### **Summary**

Infrastructure New Zealand supports the Urban Development Bill (the Bill).

New Zealand's system for urban development is fundamentally flawed and requires a major first-principles reorganisation.

An optimised system would not require Kāinga Ora to have these sweeping development powers which carry significant implications for property rights and increase complexity of decision making.

Under an ideal scenario, the development market would respond to housing and other development needs in a timely, efficient, affordable and effective manner as the wider system operated smoothly, carefully balancing the costs and benefits of individual and public decisions in promotion of shared outcomes.

For a number of reasons, New Zealand's development system does not operate in way which promotes shared outcomes.

Significant system-level changes are required to achieve a responsive development system which promotes shared outcomes, including to the Resource Management Act 1991 (RMA), the Local Government Act 2002 (LGA) and the Land Transport Management Act 2005 (LTMA).



In the interim, the powers given to Kāinga Ora are necessary for the organisation to make a meaningful impact on the needs of our struggling cities.

We support the powers set out in the Bill.

However, we observe that these powers largely already exist, albeit dispersed between organisations. The true challenge for Kāinga Ora will be to have the courage and collaborative capability to use these powers when necessary to achieve the aspirations of the Bill.

We identify three key sets of capability that Kāinga Ora will need in order to successfully employ powers described in the Bill:

1. **Vision and communication**

The general public and, in particular, affected communities will need to clearly understand the reasons for a Specified Development Project (SPD) and “buy in” to the outcomes the SDP aims to deliver.

2. **Partnership**

It will be vital for Kāinga Ora to work with councils, CCOs and national and private infrastructure asset owners (e.g., Ministry of Education, District Health Boards, Transpower, KiwiRail; lines companies, telecommunications companies), as well as iwi, land owners and industry to bring these stakeholders on board.

3. **Leverage**

Kāinga Ora will need to leverage its activities to “crowd in” private investment and development, lift the net new number of homes and reduce housing shortages in growth areas.

We support additional emphasis in the Bill on the importance of vision-setting and communication, partnerships and leveraged activities as a means to ensuring Kāinga Ora successfully achieves the aspirations of the Bill.

## **Our urban development system needs major reform**

As has been described in numerous reports and investigations, the resource management and planning system in New Zealand is fundamentally flawed<sup>1</sup>, which is causing long-term damage to our environment, society, and economy<sup>2</sup>. Our urban environments in particular are choking under a counter-productive environment<sup>3</sup>.

We and others have repeatedly made the case that comprehensive structural reform is necessary to realign the responsibilities, funding, goals, and incentives of our system for allocating land uses<sup>4</sup>.

The details of this reform are another discussion, best outlined in our recent report *Building Regions: A vision for local government, planning law and funding reform*<sup>5</sup>.

Resource management and planning reform in New Zealand is major priority that deserves the government's full attention. This process should not be undertaken lightly or hastily. Dramatic reforms occur rarely, and we ought to take best advantage of them when they do occur.

## **Kāinga Ora's powers are necessary to make a difference in our cities**

The powers that Kāinga Ora will gain through the Bill are necessary to make a coherent and comprehensive change to our urban environments.

A fully functioning system would not necessarily require all these powers to be imbued in a single agency. Instead, a functioning spatial planning system would have infrastructure asset owners (councils, government departments, KiwiRail, Transpower, electricity distribution businesses, telecommunications

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<sup>1</sup> See, for example: David Parker, *Comprehensive overhaul of the RMA*, 24 July 2019 (press statement); Resource Management Review Panel, *Transforming the resource management system: Opportunities for change*, 2019; OECD, *Improving well-being through better housing policy in New Zealand*, 2019; Environmental Defence Society, *Evaluating the environmental outcomes of the RMA*, 2016; SGS, *Review of Auckland urban planning and infrastructure*, 2014; Productivity Commission, *Housing affordability inquiry*, 2012.

<sup>2</sup> See, for example: OECD, *Economic Survey of New Zealand*, 2019; Johnson, Howden-Chapman and Eaqub, *A Stocktake of New Zealand's Housing*, 2019; Ministry for the Environment, *Environment Aotearoa 2019: Summary Report*, 2019; Infometrics, *More people per household: What does it mean for construction trends?* 2017. Available at: <https://www.infometrics.co.nz/people-per-household-mean-construction-trends/>; Booker (NIWA), *Definition and calculation of freshwater quantity over-allocation*, 2016; Marie A. Brown, R. T. Theo Stephens, Raewyn Peart, and Bevis Fedder, *Vanishing Nature: Facing New Zealand's Biodiversity Crisis*, 2015; NZIER, *Water management in New Zealand: A road map for understanding water value*, 2014.

<sup>3</sup> PwC, *Competitive Cities: A Decade of Shifting Fortunes*, 2019

<sup>4</sup> Infrastructure NZ, *Building Regions: A vision for local government, planning law, and funding reform*, 2019; Severinsen, *Reform of the Resource Management System*, 2019; Severinsen & Peart, *Reform of the Resource Management System: The Next Generation*, 2018; NZCID, *Integrated Governance, Planning and Delivery: A proposal for local government and planning law reform in New Zealand*, 2015.

<sup>5</sup> Available at <https://www.infrastructure.org.nz/Reports>



companies, etc.), planners, landowners, and local community collaborate on the best ways to achieve their collective land-use goals.

A collaborative, proactive, and outcomes-based planning system would mean that asset owners would not have any assets seized, that local landowners would not object to new developments, and that local councils would not be afraid to introduce fair charges on their residents.

However, given the current dysfunctional system we have created in New Zealand, a unified agency – Kāinga Ora – is necessary to take these unilateral actions.

When the resource management and planning system is fixed in New Zealand, Kāinga Ora should have no need to use these extraordinary powers and we would expect that, over time, these powers would become unnecessary.

### **Keys to Kāinga Ora's success**

While the powers are far-reaching, we observe that all these powers already exist, in some form or another, in the hands of various organisations and governments across the country. For example, the ability to compulsorily acquire land has existed for over 40 years under the Public Works Act 1981.

However, tools relating to land acquisition, rezoning, property taxes and infrastructure operation have rarely been used to ensure urban development is aligned with public needs and objectives.

The reasons why they are not used are not changed by the existence of Kāinga Ora. It will be operating in the same reactive, short-term, and effects-based setting that other planners, governments, and stakeholders currently struggle with.

We identify three key sets of capability that Kāinga Ora will need in order to successfully employ powers described in the Bill:

#### **1. Vision and communication**

The challenge for Kāinga Ora will be not only to decide to use these tools, when necessary, but also to communicate clearly with all stakeholders to bring them on board and to help them buy in to the vision they are selling.

Kāinga Ora will need to become a leader in communications, consultation, marketing, and transparency.

Through the Specified Development Project, Kāinga Ora will need to engage early and often with all stakeholders to develop a shared vision for what redevelopment in their area will mean.

This will be new for Kāinga Ora, which has its roots as a social housing provider and landlord.

If Kāinga Ora is successful, it will be able to take time when necessary to develop relationships and build trust with local stakeholders so that when development does occur, they embrace rather than reject it. If it does this, it will gain mana and will create a self-sustaining reputation for success.

If Kāinga Ora and wider government is unsuccessful through the early phases of establishing an SDP, it will lose credibility and development will be challenging.

The general public and, in particular, affected communities will need to clearly understand the reasons for a Specified Development Project (SPD) and “buy in” to the outcomes the SDP aims to deliver.

### **Recommendations**

- That one of the objectives of Kāinga Ora be to improve and enhance perceptions of the value and benefit to be gained from each SDP as a means to achieve support for urban development.
- That investment incentives be included for each SDP, comprising an attractive level of service improvement to an affected community to incentivise and encourage support for the project.

## **2. Partnership**

It will be vital for Kāinga Ora to work with councils, council-controlled organisations (CCOs) and national and private infrastructure asset owners (e.g., Ministry of Education, District Health Boards, Transpower, KiwiRail; lines companies, telecommunications companies), as well as iwi, land owners and industry to bring these stakeholders on board.

Acquisition of land, property or infrastructure should always be a last resort, with preference given to collaboration where this does not undermine wider public outcomes.

Infrastructure providers share the aspirations of the Government and others to enable and facilitate urban development, but face many of the same challenges which have precipitated the need for this legislation.

We are confident that, when given sufficient time, scope and resourcing, infrastructure providers will actively support SDPs and be constructive partners in the promotion of urban development outcomes.

### **Recommendations**

- That the delivery of network infrastructure inside SDPs is performed by the appropriate network operator in cooperation with Kāinga Ora, other than in the most exceptional circumstances.
- That the wider operation of network infrastructure including transport and water is not compromised by activities undertaken inside SDPs.

### 3. Leverage

In the last fiscal year, Kāinga Ora (then Housing NZ) delivered around 1500<sup>6</sup> of New Zealand’s 30,000+ homes, up from 500 two years earlier.

This excellent progress remains a comparatively small proportion that, while we expect will rise, we consider will always remain a minority of the homes delivered in any given year.

However, if successfully performed, Kāinga Ora activities will, and must, “crowd in” not “crowd out” private development.

Successful application of the powers set out in the Bill should enable Kāinga Ora to increase the supply of housing by orders of magnitude above current levels, mainly by unlocking land and development opportunities for the wider market.

The total number of new dwellings delivered each year in pursuit of public objectives is more important than who delivers these homes.

Such an approach will help to spread risk, retain a healthy development sector and encourage development aligned with infrastructure, particularly transport.

Crowding in development is particularly important to achieve the scale in housing production necessary to move to more efficient building practices (including off-site manufacturing) which increase the speed and lower the cost of housing delivery.

The Ministry of Housing and Urban Development is developing a dashboard of key housing indicators. The dashboard should guide and inform Kāinga Ora activities to ensure that supply meets demand for the various communities, income levels and parts of New Zealand in need of essential housing.

#### **Recommendation**

- That focus is retained on the role Kāinga Ora can play in encouraging and facilitating housing supply at the pace, scale and price point required to meet total housing need.

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<sup>6</sup> Housing New Zealand Corporation, *Housing New Zealand Annual Report 2018/19*, 2019. Available at <https://kaingaora.govt.nz/assets/Publications/Annual-report/HNZ16284-Annual-Report-2019-v22b.pdf>



## **Conclusion**

We see Kāinga Ora's powers, as proposed by the Urban Development Bill, as a necessary response to the sorry state of our country's resource management, planning, and urban development systems.

We observe that these powers are not new, and that Kāinga Ora will need courage and mana to use these powers appropriately when governments for the past decades have lacked the vision or conviction to do the same. The real test for the success of Kāinga Ora will be if it is able to bring local stakeholders along the journey, create shared vision, and develop urban environments that New Zealanders can be proud of.

We thank the Committee for the opportunity to comment and we welcome the opportunity to be heard.

Yours sincerely,

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