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Ministry for the Environment  
National Policy Statement on Urban Development

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## **NZCID Feedback on the Proposal to develop a National Policy Statement on Urban Development<sup>1</sup>**

### **Key points**

- NZCID supports the development of a National Policy Statement on Urban Development
- While we consider a National Policy Statement to be a positive first step, an even very successful NPS will only address the symptoms of wider underlying systemic problems within New Zealand's planning, funding and local governance framework and not the cause of those problems.
- Unless systemic problems are addressed, the Government's aspirations for improved development capacity may be disappointed and wider issues will not be addressed.
- NZCID proposes structural changes to local governance, the Resource Management Act, Local Government Act and Land Transport Management Act, as set out in the attached paper "Integrated Governance, Planning and Delivery".

### **Introduction**

The New Zealand Council for Infrastructure Development (NZCID) 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. NZCID members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.

We welcome this opportunity to provide feedback to the Ministry for the Environment on a future National Policy Statement on Urban Development.

### **We have a problem**

House prices in Auckland especially, but across many areas in New Zealand are unsustainably high. Productivity Commission research shows that Auckland prices have increased from around 3 times median income at the turn of the century to close to 10 times median income today.<sup>2</sup>

This figure is high not only in historical terms, but is high in relation to other cities. Demographia rates Auckland's housing as the 5<sup>th</sup> most expensive (in relation to incomes) across 9 countries and 367 cities.<sup>3</sup>

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<sup>1</sup> This submission represents the views of NZCID as a collective whole, and may not necessarily represent the views of individual member organisations.

<sup>2</sup> Productivity Commission, Housing Affordability, 2012.

<sup>3</sup> Demographia, 12<sup>th</sup> Annual Demographia International Housing Affordability Survey, 2016.

The consequence of high property prices is lower disposable income and a divide between those who own property, particularly older residents, and those who do not, generally younger residents.

The rapid increase in house prices in Auckland combined with recent experience overseas suggests there are risks to the wider economy from Auckland's house price crisis.

These risks have been noted by the Reserve Bank.

Property price rises are not just a problem in Auckland, but it is the area with the greatest challenge and the greatest potential for negative long term consequences.

### **Supply is the issue**

The Productivity Commission has demonstrated that the principal driver of high property prices is a lack of new housing supply.<sup>4</sup>

In Auckland, for example, the supply of new housing has not matched the region's population growth since the 2000s.

The Commission has identified a number of factors impeding the supply of new housing, but one of the most important is the lack of development ready land.

For land to be development ready, it must be zoned and serviced with necessary infrastructure.

Not enough land serviced with infrastructure and zoned for new housing has been made available to ensure the development sector can deliver enough housing supply to meet demand.

### **We support an NPS on Urban Development**

Measures are urgently required to ensure that sufficient land in and around growing cities is zoned for new development and serviced with necessary infrastructure.

There is no doubt that lack of central guidance on urban objectives has contributed to a range of issues, including a lack of housing supply. This was a finding of the Productivity Commission and has been widely discussed in policy circles for a number of years.

An NPS on Urban Development which expedites development ready land supply (for both residential and commercial activities) is strongly supported by NZCID.

One of the most important findings, in our view, from the Productivity Commission's most recent report<sup>5</sup> is that the planning system does not take account of rising property prices. Other factors, including urban design, local impacts and infrastructure costs are, as a consequence, weighted out of proportion to their relative merit leading to a lesser overall public outcome (that is, higher house prices than is justified by the benefit gained from protected local places and lower rates).

We anticipate that an NPS on Urban Development would ensure planning and infrastructure authorities take into consideration the market cost of land and housing when conducting their activities.

Rebalancing the relationship between planning and overall public welfare is the priority objective of an NPS on Urban Development.

The potential for an NPS to be developed as early as 2016 makes it a priority tool to tackle housing unaffordability.

NZCID does not maintain a fixed view on how this rebalancing can or should be effected.

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<sup>4</sup> Productivity Commission, *Housing Affordability*, 2012.

<sup>5</sup> Productivity Commission, *Using Land for Housing*, 2015.

### **An NPS will not solve the underlying problem**

Although NZCID supports an NPS on Urban Development, we consider that the initiative will only provide a partial response to a much larger and deeper problem.

Our main concern reflects the fact that provision of development ready land requires two broad ingredients: zoning (and other planning approvals) and infrastructure.

An NPS may require authorities, particularly councils, to provide land. This process may be time consuming, particularly if councils resist, but is, in our view, achievable because this activity remains largely within the capacity of councils and within the parameters of the RMA.

Infrastructure, conversely, is more difficult to influence. Infrastructure provisions for growth are mainly guided not by the RMA, the parent legislation of an NPS, but by the LGA and LTMA.

It is not clear to NZCID that an NPS can influence the investment prioritisation of the New Zealand Transport Agency and the National Land Transport Programme, creating issues for transport services to support growth.

Nor is it clear that water services and other local amenities, principally governed by the LGA, will become available simply at the direction of an NPS.

Resourcing growth is for many councils the biggest issue they face. Rates are averaged over districts, meaning new residents do not correlate strongly to additional revenue. Growth and development are therefore a cost to councils much more than an opportunity.

An NPS may provide guidance that infrastructure service providers should support development capacity, but whether they can actually do so remains unclear.

The small size of many of New Zealand's councils provides an additional challenge. Where and how smaller councils will obtain the capital needed to provide development ready land, who will assume the risks associated with that development and how aging populations will service debt requirements are weighty issues for many local authorities.

In highly fragmented regions, issues arise when councils do not accept their share of the perceived "burden" of growth. The incentive for adjacent councils is to assume and hope that neighbours accommodate growth, alleviating rates pressures for local residents.

The combination of these factors suggests to us it will be extremely difficult to achieve the Government's objectives with an NPS alone.

### **More substantive reform is required**

Even if an NPS can be integrated into the wider planning framework to ensure sustained provision of development ready land, the need for more comprehensive review of planning, governance and resourcing frameworks will remain.

Until growth councils are incentivised through the LGA and LTMA to want growth, principally by benefitting financially from the growth of new properties and residents, they will seek to avoid it. This dynamic will not assist development and will provide upward pressure to property prices. Changes are required to the way councils, in particular, are incentivised under the LGA and LTMA.

Until council structures reflect the actual social and economic boundaries of sustainable communities, councils will not have the ability to provide the range of services needed to support growth and development. Problems will be attributed to the policies of other areas and small scale will inhibit regional solutions. Council structures which enable and resource regional spatial governance and planning are required.

Until the RMA itself is reformed from an effects-based, fundamentally "oppositional" approach to growth, development and infrastructure, and instead becomes a positive, supporting document which recognises the value, opportunity and benefits from growth, there is little reason to believe institutions will actively seek to support wider public objectives. An outcomes-focused planning framework is required, underpinned by robust environmental bottom lines in separate legislation.

The basis for our concerns about the wider system of resource management planning, governance and resourcing is set out in an extensive report, *Integrated Governance, Planning and Delivery*, which is attached to this submission.

### **Conclusion**

NZCID supports efforts to tackle the less tangible, more deeply rooted issues which lie at the heart of New Zealand's land supply issues.

We do not consider these can be addressed through an NPS alone, though consider this option an important initial step.

We will closely monitor the Productivity Commission's upcoming report into the planning framework and encourage the Ministry for the Environment to initiate its own public consultation process into the merit of separating the planning components of the RMA from the environmental protection provisions.

We thank the Ministry for this opportunity to submit.