



New Zealand
Planning Institute[®]
Te Kokiringa Taumata

**Submission to Proposed National Policy Statement
on Urban Development Capacity**

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Summary

The New Zealand Planning Institute (NZPI) welcomes the opportunity to submit on the New Zealand Government's proposed National Policy Statement on Urban Development Capacity (NPS). The themes covered in NZPI's analysis and submission include:

1. To deliver the coordination objective of the NPS, there needs to be more systematic integration between Central Government development planning and local government growth management planning. A more integrated Housing Market Assessment can contribute to this. Without that coordination and support, there is a likelihood of different approaches being developed across the country (eg: Housing Assessments and estimates produced locally without centrally provided guidance on population planning).
2. To deliver the cooperation objective and the overall purpose of the NPS, Central Government will need to more systematically engage with Local Government and reach mutual agreement enabling integrated implementation. Better cooperation may be assisted through additional guidance measures.
3. The indicators required by the proposed NPS only measure a small part of what is happening on the ground, and need to be supplemented with indicators that record the quality of the development that is happening, not just the potential quantity of houses that might be built. Central Government resources would assist in the collection and comparative assessment of more comprehensive liveability measures.
4. The need to provide national guidance that enable conflicts between this National Policy Statement and the National Policy Statement Freshwater Management and the New Zealand Coastal Policy Statement to be resolved without the need for costly and time-consuming legal proceedings and interpretation.
5. The delivery of "sufficient development capacity" is about more than simply zoning land, or changing the zoning of land. It includes the contemporaneous provision of infrastructure, and the existence of incentives to ensure that "development capacity" is taken up. This is absent from the proposed NPS which addresses only half the preamble particular focus. There is a theoretical presumption that capacity = development. (NB: recent Government announcements proposing urban development agencies and a \$1 billion infrastructure loan, may go some way to alleviating this issue. Both of these initiatives could have been included in the proposed NPS enabling a more integrated and comprehensive policy statement).

The next sections of the submission develop and explain these themes further, and include feedback from our NZPI member survey. It is appropriate to note here that the most common implementation concern expressed by members is that the information and reporting requirements of the NPS will impose significant compliance costs. Members suggest these costs could be minimised through the use of common data sources and the maximisation of Central Government guidance.

Part 1: Introduction and Main Points

1.1 Introduction

The New Zealand Planning Institute welcomes the opportunity to submit on the New Zealand Government's proposed National Policy Statement on Urban Development Capacity (NPS). NZPI submitted in January of this year in response to the initial consultation undertaken on the development of an urban NPS. That submission sought that the NPS take a wide view of urban issues, rather than simply providing for development capacity. NZPI notes that to an extent, some of these themes are evident in the proposed NPS. NZPI acknowledges this aspect of the proposed NPS.

In the preparation of this submission the New Zealand Planning Institute:

- Has consulted widely with its professional membership and obtained quantitative and qualitative feedback.
- Analysed the provisions set out in the proposed NPS alongside the *Cost benefit analysis of policy options for an NPS-UDC* analysis of policy options prepared for the Ministry of Environment.
- Developed the policy analysis contained in its contribution (submitted 16 February 2016) to Ministry for Environment's research into the design of a potential National Policy Statement on Urban Development.
- Assessed the proposed NPS against NZPI's future planning framework policy which was developed as the basis of its submissions to the Resource Legislation Amendment Bill 2015.

The starting point of this submission is NZPI's analysis of the problems with New Zealand's planning framework and what needs to be done to fix them. This analysis, supported by expert member commentary and quantitative survey data, has been applied to assess the policy provisions contained in the proposed NPS on Urban Development Capacity.

1.2 The Proposed NPS on Urban Development Capacity

The NZPI does support the proposed NPS as far as it goes. Therefore, we generally support the structure of the document and the approach adopted by outlining the objectives and policies within the four areas that the NPS is designed to address. However, we consider that the proposed NPS is too limited and restricted to make the sort of impact that is required.

While our submission explores the opportunities for more integrated reform that will be lost – or delayed - because of the restricted scope of the proposed NPS, the emphasis of this submission is on the detailed provisions and overall operability of the proposed NPS. Topping the list of NZPI member concerns is the potential for additional compliance costs falling on local government to meet the requirements of the NPS. Members believe this could be significant. We suggest that consideration be given to minimising the amount of information required to be prepared by councils to achieve compliance with the NPS. This could be achieved through Central Government providing the maximum amount of guidance to councils, and by exploring the potential to develop common data sources. NZPI is keen to avoid any repetition of the early RMA history where 80 different – but similar - district plans were produced across the country. That effort and the problems that have ensued could have been avoided or been significantly reduced by means of centrally developed

guidance and common data. National guidance can assist the preparation of Housing Market Assessments.

The stated purpose of the NPS is to ensure “that planning enables development through providing sufficient development capacity for housing and business”. The focus is High-Growth and Medium-Growth Urban Areas (the NPS definition indicates High-Growth areas are Auckland, Hamilton, Tauranga, Christchurch and Queenstown). NZPI is concerned that the definitions set out in the NPS are not generic. Over time population projections will change. NZ Statistics provides this explanation of its population projection data¹:

“Demographic projections are not designed to be exact forecasts or predictions. Statistics New Zealand always produces a range of projection scenarios (e.g. low, medium, and high growth) to give an indication of likely future changes in the size and age-sex structure of the population. Users can, and should, make their own judgement as to which of the projections produced by Statistics New Zealand are most suitable for their purposes.

The projections are designed to assist both short-term and long-term planning needs and 'accuracy' is not necessarily the best measure of their usefulness. Indeed, the 'accuracy' of the projections can be irrelevant because users of projections, including central and local government, often use the projections to implement strategies to influence population dynamics. Statistics New Zealand updates the population projections every two to three years to ensure they reflect the latest demographic developments at the local and national level, and to maintain their relevance and usefulness”.

Thus, the data is updated every two or three years, and Local Government may adopt strategies to implement population dynamics. The NPS should not be so prescriptive that it could be redundant or obsolete in as little as two years. NZ Statistics has its own definition of each urban area, raising questions as to the method that should be used to add or remove urban areas from the different categories defined in the NPS.

The key policies PD5 and PD6 relate specifically to regional councils. Because Auckland Council has the responsibilities, duties and powers of a regional council, the NPS changes would immediately affect many of its activities.

Part 2: NZPI Submissions to the NPS Urban Development Capacity

2.1 NZPI’s General Submissions to the National Policy Statement

Themes covered in NZPI’s analysis and submission are as follows:

- 1. Toward better Central Government guidance and support:** to deliver the coordination objective (OB1 and OC1), there needs to be more systematic integration between Central Government development planning and local government growth management planning. A

¹ <http://www.stats.govt.nz> – Frequently asked questions

more integrated Housing Market Assessment can contribute to this. Without that coordination and support there is a likelihood of different approaches being developed across the country (e.g.: Housing Market Assessments and estimates produced locally without centrally provided guidance on population planning).

2. **Toward improved cooperation:** to deliver the cooperation objective and the overall purpose of the NPS (OC1 and Preamble requirement), Central Government will need to engage more systematically with Local Government and reach mutual agreement enabling integrated implementation. Better cooperation may be assisted through additional guidance measures.
3. **Toward better indicators and the measurement of liveability:** the indicators required by the proposed NPS (PB5) measure only a small part of what is happening on the ground, and need to be supplemented with indicators that record development outcomes additional to the potential quantity of houses that might be built. More comprehensive measures will enable the delivery of policy PA3. Central Government resources would assist in the collection and comparative assessment of more comprehensive liveability measures.
4. **Toward national guidance for avoiding conflict with other NPS's:** the National Policy Statement Freshwater Management 2014 (NPSFM) requires councils to maintain and enhance freshwater quality and sets a series of national freshwater quality bottom lines. It will be very difficult, and some may suggest impossible, to satisfy this while providing for increased urban development as required by the NPS. Similar conflicts arise in respect of the New Zealand Coastal Policy Statement 2010 (NZCPS).
5. **Toward an integrated NPS for Urban Development:** the delivery of “sufficient development capacity” is about more than simply zoning land, or changing the zoning of land. It includes the contemporaneous provision of infrastructure and the existence of incentives to ensure that “development capacity” is taken up, or alternatively clear penalties that councils can impose if development capacity is not taken up with a required time period. This is absent from the proposed NPS which addresses only half of its preamble’s particular focus. There is a theoretical presumption that capacity = development. Auckland’s experiment with Special Housing Areas is an example of this. (NB: recent Government announcements proposing Urban Development Agencies and a \$1 billion infrastructure loan may go some way to alleviating this issue. Both of these initiatives could have been included in the proposed NPS enabling a more integrated and comprehensive policy statement.)

The next sections of the submission develop and explain these themes further, and include feedback from our NZPI member survey (see Appendix 1).

2.2 Toward better Central Government guidance and support

NZPI Member Survey Finding: 68% of respondents (N=175) either strongly agree or agree that “TLAs will need Central Government population change planning data to prepare a local housing assessment”, and 71% of respondents either strongly agree or agree that “Central Government resources and support will be needed to enable local implementation”.

Housing markets form an important part of the economy and how they work has a significant impact on the well-being of local communities. It is important that policy makers, planners and regulators have a good understanding of housing market trends to assist in making informed decisions and to enable the effective monitoring of those decisions. We are concerned that the narrow focus of the Housing Market Assessment (HMA) described in the NPS could have unintended consequences and be a poor basis for decision-making.

According to the New Zealand Manual for Housing Market Assessments prepared by DTZ NZ for the NZ Centre for Housing Research in 2009²:

“...the primary value of a housing market assessment is in providing a sound basis (i.e. accurate data and a robust evidence base) for:

- *Developing strategic views of housing demand and need both now and in the future;*
- *Developing a sound approach to planning for the mix of housing required;*
- *Assisting local authorities to assess the level of affordable housing required in an area; and*
- *Assist with the assessment of future social housing requirements within a market.*

A Housing Market Assessment can also:

- *Provide context information that can be included in a range of strategies and plans, for example the Long Term Council Community Plan, which local and regional authorities are required to prepare;*
- *Encourage greater integration between housing activity in an area and related strategies (e.g. urban growth strategies, urban design strategies and transport strategies), planning processes and interventions;*
- *Provide the opportunity to identify the needs of distinctive communities in ways that can influence the design and delivery of housing services provided by a range of organisations; and*
- *Provide a basis for ongoing monitoring of the local housing market and the impact of both general and housing specific policy interventions”.*

Advice contained in this valuable and relevant manual highlights the need for national guidance in the preparation of local or regional housing assessments, and the need for a coordinated approach between Central Government and Local Government. We suggest that the absence of such support and coordination could lead to duplicated and wasted effort, to local effort that is not informed by an understanding of national development planning and strategies, and ultimately to issues of inconsistency and skewed results.

In particular, at pgs. 13 and 14 the DTZ document states:

² Available at:

http://repository.digitalnz.org/system/uploads/record/attachment/386/new_zealand_manual_for_housing_market_assessments.pdf

“National and regional economic trends (such as interest rates, inflation, and the level of economic growth) all have an impact on the level of construction activity and new investment in the housing market. It is important to consider these trends and how they have influenced the market and how they are likely to influence the market in the future.

Understanding the economic structure of the local economy is important and in particular understanding the sectors that are relatively more important to the local economy, i.e. the ones which account for a greater proportion of local GDP than the national average. Also important is whether those ‘dominant’ sectors are fast or slow growth industries. For example, an economy dependent upon a small number of slow growth industries is likely to generate different housing demand and housing needs to an economy dominated by fast growth industries.

An understanding of a region’s rate of economic growth over the immediate past, both absolute and measured against national averages, allows a fuller appreciation of the environment in which the current housing market operates. Almost as important is the volatility of a region’s growth.

The level and type of employment within a housing market has an influence on household incomes and hence households’ ability to afford different types of housing by tenure, dwelling size and type. In addition, these factors may also influence where households can live relative to their place of work (work place geography). Consequently, it is important to provide analysis of past and expected future labour market / employment trends along with analysis of the impact that future trends may have on the housing market and the implications in terms of future demand by location and dwelling type. It is also useful to consider whether there is any evidence that labour market impacts on housing market outcomes are in turn influencing wages, the supply of labour and migration trends.

The interaction between future labour market growth and the implications for housing demand by location and type is a key driver which needs to be considered in the context of a housing market assessment.

The proportion of a region’s working age population participating in the labour force plays a part in determining average household incomes and has implications for the tenure characteristics and size of housing demand and need. The numbers and types of employment by sector influence the level of wages that will be paid in a local economy and have implications for tenure, size and location of housing demand and need. Of most importance is the balance of employment in terms of the mix of higher and lower paid jobs. This mix can be assessed both by employment sector (e.g. manufacturing, finance and insurance etc.) and occupational structure (e.g. clerks, professional etc.). Finally, some consideration at this stage of the assessment should also be given to the potential impact of housing wealth and non-labour market incomes on housing demand. This issue could be of importance particularly in those housing markets with or that attract higher than average proportions of elderly and retired households.”

The manual lists suggested data sources that are required for such an assessment, and which enable the integrated assessment that would not be achievable using only population projections.

“Statistics New Zealand has a range of products that can assist with this analysis, these include:

- *Business demography survey;*
- *Census;*
- *Survey of families income and expenditure; and*
- *Household labour force survey”.*

NZPI appreciates that in its present form, the NPS is less concerned with the form of housing suggested by the Housing Market Assessment and more concerned with having land to accommodate whatever the demand is. It is important, however, that the form chosen by any developer does accommodate all aspects of the housing demand that is identified, and does not preclude it through subdivision and design restrictions that emphasise exclusivity (for example) and increase housing costs to the point that certain types of housing demand cannot be met.

Our purpose in including these extracts, is to underline the importance in the production of a useful Housing Market Assessment of factors in addition to the matters that are listed in the proposed NPS. Factors that affect the housing market include population demographics in addition to simplistic growth projections e.g: family income and expenditure, demographics, and employment and labour market demographics. Information needed to produce a more reliable and useful local Housing Market Assessment includes census population projections from NZ Statistics, but requires access to and analysis of data from a broader range of sources. Central Government resources are needed to carry out this work so that the planned outcomes of national development plans are combined with information from a range of nationally maintained datasets, and then packaged into outline housing market assessments that can then be used and applied by Territorial Local Authorities (TLAs) at local level.

A selection of comments collected in the survey follow - noting that these are from individual members and are not intended to represent the views of any particular local authority:

District Council, Waikato: *“There is a need for a Central Government lead in relation to population change planning data, and precise information regarding housing and business assessment methodology, otherwise there is a risk that each TLA will do it differently.”*

Auckland Council: *“This type of assessment should be a regional Local Government function (similar to a Regional Growth Strategy) not a TLA function in isolation. TLAs could be required to implement via their District plans. However this is clearly a regional issue as local urban growth will impact on regional infrastructure and environment. Urban growth and its consequences on social and environmental issues needs to be considered in the regional context.”*

Wellington: *“Population characteristics often change reasonably frequently and very few people or households stay in the same location, suburb or job or school, these days. Many have to move on due to economic circumstances. Census and other surveys of local populations have little chance of keeping up with the changes in communities. The whole assessment idea seems complex and imperfect. I am concerned about how much this work would cost the local or regional people via central or local taxes.....and of course, politically the local government would be positioned as responsible for the costs and driving the costs, when in fact they are in turn, the agents of the Central Government. So...by participating in the democratic elections that come around every three years, both locally and nationally, we the citizens participate in our own demise. Is it professional or ethical*

to overturn what we have been doing for all these years and change our thinking and our perspectives, without a cost-benefit analysis?"

2.3 Toward improved cooperation

NZPI Member Survey finding: 67% of respondents “strongly agree that local authorities, infrastructure providers and Central Government should work cooperatively”, and just 11% of respondents “agree that local authorities, infrastructure providers and Central Government already work cooperatively”.

While there is some inclusion in the proposed NPS of national development planning (e.g: a suggested driver for the NPS is NZ Stats population projection data), the preamble’s insistence that the NPS “*will necessitate better integration and coordination between land use and infrastructure planning and will require local authorities, infrastructure providers and Central Government to work cooperatively*”, is given limited effect in the objectives and policies of the NPS. We note that much of the data that will be relied on to develop tools to give effect to the NPS will be derived from government sources (e.g Statistics NZ, MBIE).

For example, objective OC1 – coordinated evidence and decision-making – aims to “*promote coordination within and between local authorities and infrastructure providers*”. This fails to explicitly include Central Government and does not refer to co-operative work, which in turn is reflected in the lower policies (PC1 to PC3), none of which impose a duty on Central Government or Central Government infrastructure providers to coordinate or to cooperate with local authorities.

The risk of this omission is to perpetuate the “them and us” situation which has plagued urban growth planning in New Zealand. This is concerning given that the thoughtful and comprehensive *Cost benefit analysis of policy options for an NPS-UDC* (CBA), which is included with the proposed NPS documentation, has provided policy wording to encourage and enable cooperation that has been lost in translation to the NPS itself:

- CBA wording of PC3: *The relevant local authorities and infrastructure providers (Ed: including Central Government infrastructure providers) will work together to, as far as possible, agree on the supply of development capacity, including levels of service for infrastructure.*
- NPS wording of PC3: *The relevant local authorities and infrastructure providers will work together to, as far as possible, ensure coordinated land use planning and infrastructure provision, including expected levels of service for infrastructure.*

We submit that the CBA wording provides for a process whereby agreement is reached between the various parties – including Central Government. This would encourage co-operation consistent with the stated aims of the NPS, build mutual understanding, and assist planning coordination.

A selection of individual member comments collected in the survey follow:

Sole Practitioner, Wellington: *“What does working cooperatively mean? The servicing of new development areas must be planned well ahead of development. Commitment to servicing must*

accompany the approval of development. Private enterprise is often unwilling to do this in advance of the certainty of zoning. TLA's are reluctant to incur expenditure unless 'take up' is certain. This brings about a stalemate."

Auckland Council: *"Good aspiration but the crucial challenge which burdens the system is finding sufficient funding. Local Government in NZ have campaigned for many years for Central Government to provide Local Government in NZ with more funding options, such as other countries have."*

Auckland Council: *"I agree but I don't know how realistic it is, and am mindful of the lead in times it would take to get the degree of co-operative working relationships required to make this work on any useful scale."*

Auckland Council: *"Again, if it's an integrated approach to urban form then every agency should work co-operatively. If not an integrated urban form then it is simply exacerbating the problems by way of an over-emphasis on urban sprawl."*

Planning Consultancy, Auckland: *"This is an important matter, however it is really Central Government that has not been actively engaging on these matters previously or inputting enough resource into this matter. This whole approach is similar to the previous focus of the Plan Change to the RPS to provide for a growth strategy. Maybe there was an issue in implementing the right strategy there - but that was when the ARC was a separate entity."*

Planning Consultancy, Southland: *"There is a real need for the development silos and the regulatory silos within local government to actually work together on this."*

2.4 Toward better indicators and the measurement of liveability

NZPI Member Survey finding: 82% of respondents strongly agree or agree that "the proposed NPS indicators should be supplemented with liveability indicators".

The proposed NPS requires local authorities to be *"well-informed about the market's response to planning"* by monitoring specific indicators and quantitative measures relating to the housing economy on a quarterly basis. However, none of the required indicators relate to significant parts of Objective OA1 or of Policy PA3. For example, OA1 describes as an outcome for decision-making *"urban areas that enable people and communities to provide for their social, economic and cultural wellbeing"*. None of the required indicators appear to measure social and cultural wellbeing outcomes in urban areas that result from application of the proposed NPS. However, PA3 states that *"decision-makers must recognise and provide for the contribution that urban development will make to the ability for people and communities and future generations to provide for their social, economic and cultural wellbeing"*. We suggest that the proposed NPS, as presently drafted, is incomplete without measures that will guide decision-makers in the delivery and production of balanced urban environments.

Sydney provides a relevant example. Sydney's growth is shaped by urban consolidation, intensification, infill, brown and greenfield developments. During the next two decades, the population is expected to grow by 1.6 million and 664,000 new homes will be needed. The newly

established Greater Sydney Commission has a “Liveable Sydney” as a key focus because it is recognised as an issue that must be addressed in its planning. The idea is to promote principles and planning practices that secure and boost rather than diminish the liveability of Sydney. The objective is urban intensification that delivers measurable benefits to local communities. Examples include: increase the share of social and affordable dwellings; reduce the average travel time to employment; increase the share of trips made by active transport modes; increase the ratio of public education places to school age children and increase the area of active open space assets.

In the Sydney example, the assessment of “liveability”, “quality of life” and “sustainability” entailed a framework of dimensions, indicators and benchmarks. Two broad approaches to benchmarking were considered: comparison of metrics from one location to those of a benchmark location; comparison of a location to normative benchmarks. Normative benchmarks were chosen that could be adjusted by residents’ perceptions of liveability of their local area.

We suggest there is considerable scope for national guidance in central development, promotion of and use of a balanced set of indicators to measure and guide the production of pieces of city that don’t just deliver economic wellbeing, but deliver social and cultural wellbeing as well.

A selection of individual member comments collected in the survey follow:

City Council, Waikato: *“It is unclear what methodology should be employed to devise these indicators, (is it mean or average house price, over what period) consequently I cannot say definitely whether we have it or not. Government should provide clear and comprehensive best practice methodologies for the specific monitoring indicators. This will assist with establishing a consistent and comparable approach across the country to the monitoring of these indicators.*

Councils should be best source of consent and valuation data.”

Planning Consultant, Waikato: *“Additional work is likely to be required regarding economic factors. Central Government has a role in supporting TLAs in monitoring these indicators but I disagree that they alone can more effectively deal with local issues than TLAs. Liveability indicators are important because the cheapest land to develop isn't always the most suitable.”*

District Council, Wellington: *“The ratio of the value of land between rural and urban zoned land - what will this show? Rural land will always be valued lower than urban zoned land, but that doesn't mean it should be rezoned. Income to house price is not a suitable comparison and has been shown to be limited. A more comprehensive ratio or comparison should be created. Business land is even more difficult to predict demand for than residential land is. There seems to be an ignorance around TLAs and housing markets. Housing markets are not city or political boundaries.”*

Auckland Council: *“The focus of the NPS seems to me to be financially (cost / profit) driven rather than driven by social / environmental needs. It is questionable as to whether TLAs should be focused this way. The information that the NPS will require TLAs to gather / monitor is really already gathered and monitored by private agencies and Institutes now. Isn't this duplication?”*

Planning Consultant, Auckland: *“A range of indicators is available, but some high profile ones such as Demographia median price to median income are of little use. While this information can be available, in most TLAs it is not applied consistently to help understand and anticipate the workings*

of the land and housing markets. Auckland has a fair amount of this information, but it is less widely used by other TAs.”

Planning Consultant, Auckland: *“Central Government working with various agencies including councils should be able to provide the necessary support - why not a national housing monitoring office based in MBIE - where the building consent levy goes?”*

2.5 Toward national guidance for avoiding conflict with other NPS’s

The proposed NPS leaves conflict with competing national policy directives unresolved.

For example, the National Policy Statement for Freshwater Management 2014 (NPSFM) requires councils to maintain and enhance freshwater quality and sets a series of national freshwater quality bottom lines. It will be difficult to meet these obligations, while providing for increased urban development as required by the NPS.

While redevelopment of existing urban areas may provide an opportunity to incorporate better storm water management, increasing urban development generally is likely to further degrade freshwater water quality, leaving councils in breach of the NPSFM. There are examples where efforts to improve freshwater quality in existing urban areas yields positive results: however it is unclear whether this type of approach is what is anticipated by the proposed NPS and NPSFM being read together, and whether in the context of significant development pressure, being experienced by Auckland in particular, this will be achievable.

In greenfield development scenarios there is less to suggest that it will be possible to satisfy the dual directives of the proposed NPS and NPSFM. In every urban catchment in Auckland, water quality breaches national bottom lines. While there have been significant advances in water sensitive design that are improving outcomes for new urban development relative to historic development, it is yet to be proven whether it will be possible to maintain and enhance freshwater quality at or above national bottom lines.

Similar conflicts arise in respect of the New Zealand Coastal Policy Statement 2010 (NZCPS). The NZCPS has directives for managing coastal water quality by controlling the nature of certain activities on land, and directives to avoid increasing coastal hazard risks. Both of these could preclude coastal environments from accommodating additional urban development and/or associated infrastructure.

The lack of any mention of environmental or hazard-based constraints on urban development will complicate decision-making by councils as there will be a need to reconcile the environmental limits set by other NPS’s (including the NZCPS and NPSFM) with proposed NPS requirements to provide capacity where there is demand. This will be no easy task. The planning profession is now, post King Salmon³, well versed in the language of national policy statements and has precedent to rely on about what takes primacy. The language of the proposed NPS further complicates the challenge of reconciling it with the restrictively worded directives of NZCPS and NPSFM.

A lack of clarity around this integration, if not resolved as the proposed NPS goes through the next stages of development, will leave a lot of interpretation up to the courts which will again be in the

³ *Environmental Defence Society Inc. v The New Zealand King Salmon Co Ltd* [2014] NZSC 38

position of determining government policy. In addition to adding costs, this would be a wholly inadequate situation which could result in neither the environmental nor the urban development capacity objectives being met.

We submit that national guidance will be needed to assist council planning managers to work through the challenges that are inherent in situations where several competing and potentially inconsistent national policy statements have effect.

2.6 Toward an integrated NPS for Urban Development

The announcement of the proposed National Policy Statement on Urban Development Capacity has been followed by two significant Central Government statements relating to urban development. The Prime Minister has announced the availability of \$1 billion to fund growth-related infrastructure (this announcement has been further qualified by the Minister of Environment saying that this fund could be allocated to the Huapai area of North Auckland). The second statement suggests the establishment of a government-run Urban Development Agency in Auckland, with the further suggestion that the agency might have the power to compulsorily purchase land that has been land-banked and is being withheld from development.

We submit that it would be appropriate and opportune to incorporate these ideas, and others that are well supported and have been proposed by authorities including the Productivity Commission, into the proposed Urban Development NPS. This would provide an opportunity to consider each of the proposals, and how they inter-relate, in an integrated way and – in our view – lead to much more effective national guidance.

Infrastructure

There is a fundamental disconnect between the Local Government Act and the RMA (and the LTMA) when it comes to infrastructure funding and planning. This has been recognised in recent work undertaken by the Productivity Commission and Local Government New Zealand (*Blue Skies Think Piece*). This is one of the key areas that the NZPI submit should be addressed in the National Policy Statement. It is addressed in the “risk of unintended consequences” section (8.5) of the *Cost benefit analysis of policy options for an NPS-UDC (CBA)*, which states:

“...there may be unintended consequences associated with the infrastructure planning, provision, and funding implications of objectives and policies in the NPS-UDC. These risks arise from the fact that infrastructure planning and RMA planning is governed by separate legislative frameworks, and also from the fact that some costs of providing and using infrastructure are not fully borne by users”.

At 8.5.1 the CBA considers these risks further: *“making land available for urban development without accompanying infrastructure is not likely to increase the supply of land and housing actually available for sale... such zoning does not increase effective supply, and is likely to have no impact on market dynamics... consequently infrastructure may need to be provided for land that has been zoned in excess of current demand”.* The CBA discusses the need to take account of the fact that

some land capacity might be deemed uneconomic for development (by the market), and that more land should to be available than is actually needed (to allow for some competition), leading to a situation where, *“the infrastructure requirements and costs may... double... raising questions about ~~over~~ who will fund such infrastructure provision”*.

NZPI submits that to deliver national policy statement developable urban land aims, and to comply using the mechanisms and methods set out in the NPS, will require TLAs to find some way of funding infrastructure for more land than is actually needed at any point in time. This runs counter to any notion of the “good-enough” and “just-in-time” approach practised by most New Zealand TLAs, and in any case will waste scarce public funds. We submit that the NPS needs to include tools for fund raising and cost recovery and which incentivise development of available land, including existing urban land (brownfields).

Land banking

The CBA contains advice which is of considerable concern. S.8.2.2.3 states, *“analysis suggests that there may be large differences between plan-enabled capacity or market-feasible capacity and the development that **actually** occurs” (emphasis not added), and suggests, “it appears necessary to provide plan-enabled capacity for three to ten dwellings in order to enable a single dwelling to be developed over a ten year period.”*

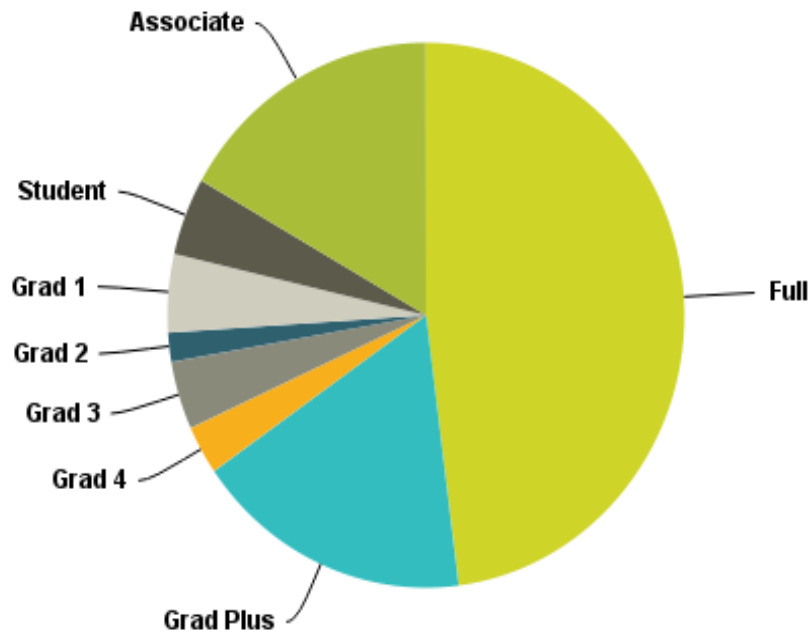
This is a startling and deeply concerning finding. The CBA provides some explanation as to why this might be the case for brownfield redevelopment, but it also notes, *“greenfield capacity can still be taken up relatively slowly as developers may stage construction to avoid reducing prices”*, citing UK development reviews which found evidence “that developers voluntarily ‘withhold’ new supply if other suppliers in nearby locations are also building”. The CBA policy advice for dealing with this problem by requiring TLAs to provide a 10% - 15% over-supply of capacity is inefficient, wasteful and may not be enough by itself (we note that the proposed NPS goes further and adopts an over-supply of 20% capacity in its definition of “sufficient capacity”). We submit that the NPS must provide national guidance on policy to avoid land banking, and appropriate methods and powers that are available to Local Government to give it the confidence to release land supported with publicly funded infrastructure.

Ends

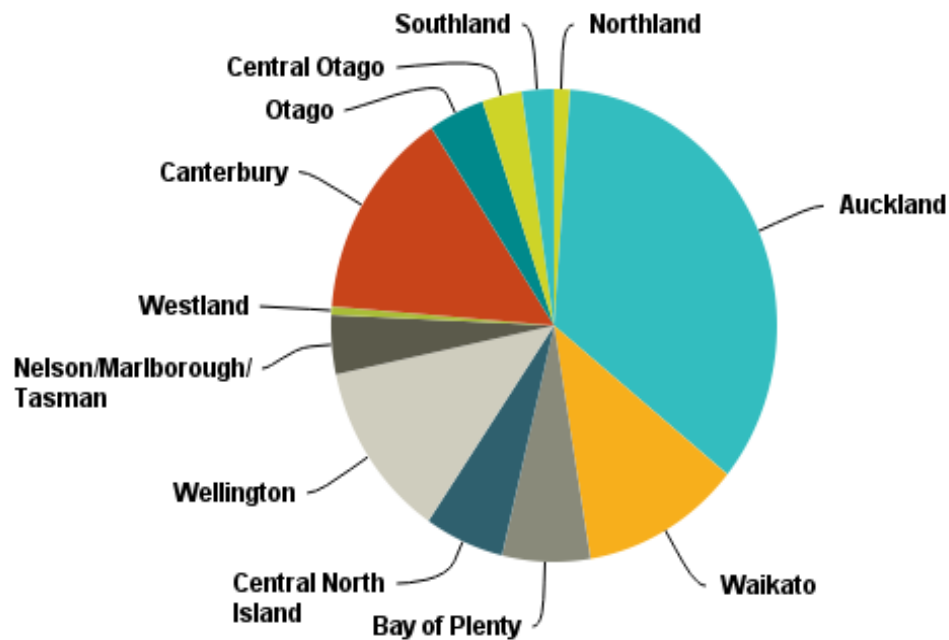
Part 3: Appendix 1 – Member Survey

The following graphics report key demographics of the 175 NZPI members who responded to the survey, which concluded on the 24th June 1016.

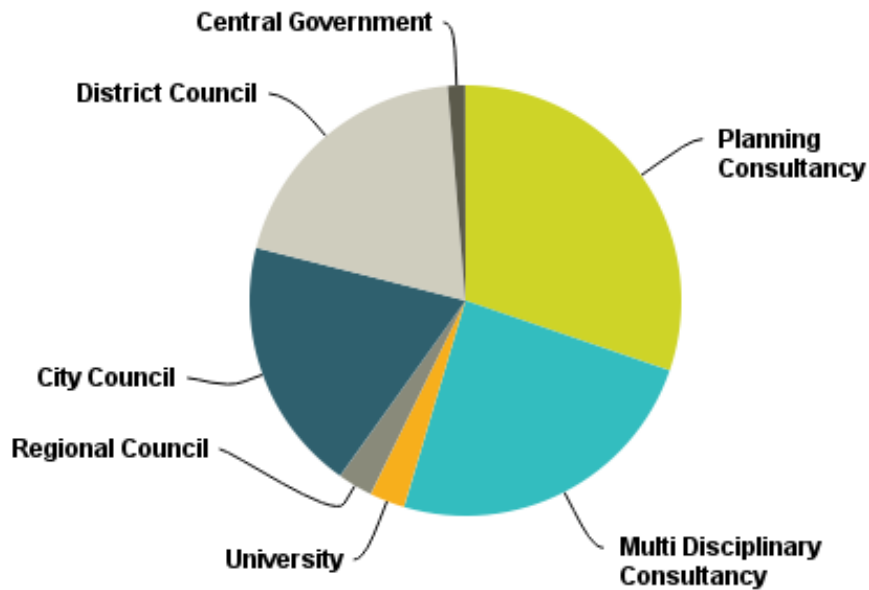
Q1: What level of NZPI membership do you have?



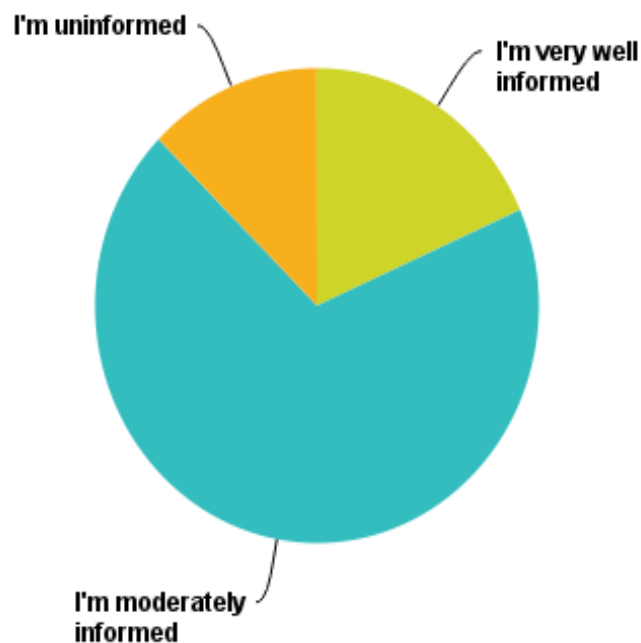
Q2: In which area of New Zealand do you mainly work?



Q3: Which type of organisation do you primarily work for? (NB: A significant number of Unitary Council responses are not captured in this pie chart.)



Q4: Are you reasonably well-informed about the proposed NPS?



Seven questions were asked of respondents. Answers included responses to various statements (quantitative measures) and the ability to provide free format qualitative feedback. The remainder of this appendix reports the quantitative feedback. Some of the qualitative responses are included in the body of this document to illustrate particular submission points.

Q5: The preamble to the NPS describes its focus as: "...on ensuring that planning enables development through providing sufficient development capacity for housing and business." How important is this focus where you work?

Answer Choices	Responses
It is top priority	13.1% 23
It is high priority	52.0% 91
It is not high priority	18.3% 32
It is low priority	6.3% 11
I don't know	3.4% 6
Other (please specify)	6.9% 12
Total	175

Q6: The preamble to the NPS notes that development capacity needs to be serviced with infrastructure, and states that: "...this will require local authorities, infrastructure providers and Central Government to work co-operatively...." What is your opinion about that?

Answer Choices	Responses
I strongly agree that local authorities, infrastructure providers and central government should work co-operatively.	67.2% 117
I agree that local authorities, infrastructure providers and central government should work co-operatively.	19.0% 33
Local authorities, infrastructure providers and central government already work co-operatively.	10.9% 19
I disagree.	0.6% 1
Other (please specify)	14.4% 25
Total Respondents: 174	

Q7: The NPS mainly applies to high growth and medium growth urban areas where TLAs will be required to carry out a Housing Assessment that: "estimates the demand for dwellings, including the demand for different groups in the population for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand, in the short, medium and long terms..." Please provide your responses to statements about this NPS policy below.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
TLAs I work with already have most of this information	15.3% 26	35.3% 60	18.2% 31	27.6% 47	3.5% 6	170
TLAs will need central government population change planning data to prepare a local assessment	19.6% 33	48.2% 81	22.6% 38	7.1% 12	2.4% 4	168
The TLA I work with would need significant further resource to prepare such an assessment	13.7% 23	35.7% 60	28.6% 48	18.5% 31	3.6% 6	168

Q8: To ensure TLAs "are well-informed about the market's response to planning" the NPS requires that TLAs must monitor a range of indicators including:

- "...the ratio of house price to income and the relative cost to rent;
The number of resource and building consents granted relative to the growth in population;
- Vacancy rates for business land;
The ratio of the value of land between rural and urban zoned land;
- The value of improvements to the value of land within the urban area..."

Please provide your responses to statements about this NPS policy below.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
The TLA I work with already has access to most of this information	7.0% 12	36.6% 63	27.9% 48	24.4% 42	4.1% 7	172
Central government can more efficiently monitor these indicators	15.7% 27	22.7% 39	30.8% 53	27.3% 47	3.5% 6	172
These indicators need to be supplemented with liveability indicators	35.7% 61	46.2% 79	13.5% 23	3.5% 6	1.2% 2	171

Q9: The NPS requires that TLAs that have part, or all, of a medium or high growth area in their jurisdiction, must respond to Housing Assessments that indicate insufficient development capacity, by providing further development capacity "as soon as possible", by considering "all options available to it under the RMA" to enable sufficient development capacity, including:

- Short term "customer-focused consenting processes"
- Medium term "amending the relevant plans and policy statements"
- Long term "providing a broad indication of the location, timing and sequencing of development capacity".

Please provide your responses to statements about this NPS policy below.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
The TLA I work with can give effect to this policy requirement without much change	7.7% 13	36.1% 61	22.5% 38	26.6% 45	7.1% 12	169
Consenting processes are already quite customer-focused	13.9% 24	52.0% 90	17.3% 30	12.1% 21	4.6% 8	173
Implementing this policy locally may be opposed by existing communities	20.5% 35	46.8% 80	21.6% 37	9.9% 17	1.2% 2	171
Central government resources and support will be needed to enable local implementation	30.0% 51	41.2% 70	21.2% 36	5.9% 10	1.8% 3	170

Q10: When made operative, the NPS will require that Regional Councils that have part, or all, of a high growth area in their jurisdiction (Auckland, Hamilton, Tauranga, Wellington, Christchurch, Queenstown) must amend regional policy statements accordingly and then give public notice (RMA s.55.2A). Changes must be made by end of 2018 at latest, and must include "minimum targets for the supply of sufficient residential development capacity" with an additional margin "at least 20% over and above projected short and medium-term demand". Please provide your responses to statements about this NPS policy below.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
The TLA I work with can give effect to this policy requirement within existing work streams	10.0% 17	31.2% 53	33.5% 57	20.6% 35	4.7% 8	170
Implementing this policy locally may be opposed by existing communities.	21.1% 36	40.9% 70	26.9% 46	9.4% 16	1.8% 3	171
Central government resources and support will be needed to enable local implementation.	24.3% 41	43.2% 73	24.3% 41	6.5% 11	1.8% 3	169

Q11: When made operative, the NPS will require that local authorities that have part, or all, of a high growth area in their jurisdiction (Auckland, Hamilton, Tauranga, Wellington, Christchurch, Queenstown) must "provide a future land release and intensification strategy" identifying "the location, timing and sequencing of future development capacity over the long term" which is informed by the relevant Housing Assessment and the "views of infrastructure providers, land owners, the property development sector and any other stakeholders they see fit". Please provide your responses to statements about this NPS policy below.

	Strongly agree	Agree	Neither agree nor disagree	Disagree	Strongly disagree	Total
The TLA I work with can give effect to this policy requirement within existing work streams.	12.3% 21	37.4% 64	29.8% 51	17.0% 29	3.5% 6	171
The TLA I work with already does much of this.	12.9% 22	39.2% 67	31.0% 53	14.6% 25	2.3% 4	171
Further central government resources and support will be needed to enable compliance with this policy.	20.6% 35	40.6% 69	30.0% 51	7.1% 12	1.8% 3	170

ENDS