

Submission by the NZ Centre for Sustainable Cities to the Ministry for the Environment on a proposed NPS on urban development capacity

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This submission has been prepared by Assoc Prof Ralph Chapman¹ on behalf of the New Zealand Centre for Sustainable Cities.

About NZ CSC

The New Zealand Centre for Sustainable Cities is an inter-disciplinary research centre dedicated to providing the research base for innovative solutions to the economic, social, environmental and cultural challenges facing our urban centres. As well as undertaking research, we make submissions from time to time to central government and councils on a range of issues relevant to cities, from climate change policy to compact development. The Centre is currently running a 4-year Resilient Urban Futures Programme, funded by the Ministry of Business, Innovation and Employment, which began in October 2012. We would welcome the opportunity to speak to this submission.

Introduction

We offer this submission on the general thrust of, and certain points in, the proposed NPS. We do not have the resources to traverse all aspects of the proposal in this submission.

We consider the proposed NPS to be well intentioned but likely to be largely ineffectual; it has the potential to impose some unreasonable infrastructure costs on local government; reduce the authority and discretion of local government in planning and urban development; and contribute to an ongoing shift of authority towards central government. It is clearly motivated by a belief that land supply is the dominant factor lifting house prices in Auckland and some other growing markets. This, in our view, is likely to be a problematic diagnosis of the problem of rising house prices, since part, but only part, of the problem is land supply. There are a number of factors at work on both the supply side *and* the demand side of the property market, factors which may be both influenced by policies under the Resource Management Act (RMA) *and non*-RMA factors (we mention some of these 'other factors' below, but they include the release of land by developers). We are aware that the Government has a multi-pronged approach to the 'housing problem', but we see this particular NPS policy measure as something reflective of a rather one-sided and dated analysis, an approach which has in fact largely been superseded by an acceptance that other policy initiatives may have more purchase on key dimensions of the problem. Moreover, it is important in our view to be realistic about how much one measure, such as this proposed NPS, could achieve much in moderating house prices.

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Specific points

- A key element of the proposed NPS (PNPS) is that there be a semi-automatic response by relevant councils to ensure 'sufficient' land development capacity. However, a semi-automatic mechanism for ensuring more peripheral land supply, such as advocated in NZIER (2015) and as reflected in the PNPS, seems to have several problems.
- First, there is little internationally to judge how it would work. Oregon State in the USA has a system that ensures there is an 'adequate' supply of developable land around growing cities, but it is not quite so demanding as what seems to be being suggested in the PNPS, driven apparently by Auckland's problem. There is some discussion in the papers released by the government, about UK and Australian experience. But these jurisdictions have very different legal frameworks, and are hard to 'apply' to NZ.
- The proposed mechanism could be rather crude – and in particular, it might not take into adequate account a range of key factors such as the cost of infrastructure development on the periphery of the city, or factors that might change quickly such as a possible drop in immigration in future, or the strengthening of the present quasi-capital gains tax.
- The PNPS sets 'margin' requirements for residential development capacity [DC] of 20% and 15% **above** short/medium- and long-term demand respectively. These requirements (see PD5) are mechanical and demanding. They do not give much play to other factors, even though there are some concessions in terms of the *assessments* taking into account various things such as future changes in the local economy (PB2), whether DC is taken up (PB3), price/income ratios (PB5) etc.
- Points that may be seen as objectionable include:
 - Policy PA1 (bullet 1) on *urban form* ignores any environmental consideration in the motivation of urban form – i.e. economic and social exchange is mentioned, but it would be desirable to mention the protection or enhancement of the physical or natural environment which a consideration of appropriate urban form entails. And this provision could also enable consideration of negative externalities arising from sprawl.
 - Policy PA1 (bullet 2) also ignores the desired outcome of minimising negative outcomes such as nuisance due to noise, say, while it gives priority to {economic} efficiency. This is one-sided.
 - The structure of PA3 (bullet 2) puts priority on providing sufficient development, while (secondarily) minimising the adverse effects of development. This will direct decision makers to privilege development even if they have regard to its adverse effects
 - The **relatively costly compulsion** on local authorities is set out in PC3 (work with infrastructure providers as far as possible to **ensure** infrastructure provision); and even more strongly in PD1 ('local authorities must respond by **providing further development capacity** in accordance with policies PD2 and PD3 as soon as possible').
 - Some words in PD4 are potentially confusing – namely that local authorities should have regard to enabling capacity that is 'commercially feasible'.
 - House prices in Auckland are no doubt influenced partly by the supply of greenfield land for development, but they are probably more influenced by restrictions on development within the RUB, and especially in existing suburbs which have clamoured to make it difficult to (say) put up 3 and 4 storey townhouses or apartments. Such intensified development makes a lot more sense, usually, in terms of building and transport costs, than development on the urban boundary which involves high transport costs and large

infrastructure costs for the Auckland Council. Also, intensification clearly has benefits in terms of rapidly cutting carbon emissions, which Auckland Council and central government are committed to doing. The definition of (residential) development capacity does encompass going up as well as out (p.20, n3), but there is a real risk that councils will tend to emphasise greenfield capacity in practice, especially as multiple restrictions may constrain 'going up.' This needs attention.

- Also we know that more densely populated districts have, on average, lower infrastructure costs (such as roading costs per capita), than districts where density is low (Early, Howden-Chapman, & Russell (2015, p. 187)). This should be taken into account.
- A timing concern (of secondary significance) is that to frame up such a mechanism now seems premature when the Hearings Panel on the Unitary Plan for Auckland is due to report very soon on provisions which will affect the extent of possible infill and intensification in Auckland, and the likely impact of these provisions needs to be digested. There should be an opportunity to reconsider the PNPS in this light.

Conclusion

To conclude, we are not satisfied that this NPS is helpful. We have raised some philosophical points in the introduction, and some specific concerns. Fundamentally, an NPS on urban development would preferably look beyond just land supply, and take into account a wider array of issues relevant to the preferred pattern of housing provision in cities, such as the environmental impact of development protection of natural features and coasts, carbon emissions, etc. – in short, all the things that planners should be thinking about (and usually do) when they do their job. As noted above, Policy PA1 (bullet 1) on urban form ignores any environmental consideration in the motivation of urban form – i.e. economic and social exchange is mentioned, but not the protection or enhancement of the physical or natural environment which urban form may entail. And just as important are the major negative externalities arising from sprawl.

Lastly, an NPS can impose costs on territorial authorities (TAs) without the government having fully consulted about the cost implications for TAs (this was noted in the Freshwater NPS case by LGNZ). In the last 30 years, central government funding to TAs has fallen from 18% to 13% of revenue LGNZ (2015). Imposing requirements on councils to act in a way which they are already incentivised to act does not seem sensible: councils are already well placed to appreciate the benefits and costs of development in different locations. In our view, the trend towards more compact development reflects this understanding.

References

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