



Crombie Lockwood Tower
Level 16, 191 Queen Street
PO Box 7244
Wellesley Street
Auckland 1141
New Zealand

Phone: +64 9 377 5570
Email: info@infrastructure.org.nz

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Ministry of Housing and Urban Development

Per email: soils@mpi.govt.nz and nps-udconsultation@mfe.govt.nz

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 feedback on the proposed National Policy Statements on Urban Development and Highly Productive Land

Summary

We support efforts to improve urban development and productive land outcomes but consider these are unlikely to occur without wider reforms than those articulated in the two NPS documents.

The planning system has failed urban development and we support a National Policy Statement on Urban Development (NPS-UD)

The National Policy Statement on Highly Productive Land (NPS-HPL) provides inadequate protection to the most important and versatile land, while granting too much protection to less important land in areas critical for sustaining affordable and sustainable development. We do not support the NPS-HPL.

There should be one NPS for urban development with a section on highly productive land. The two issues are interdependent and it is not clear how prioritisation across two NPS documents would work.

There should be a National Environmental Standard (NES) for land use classification (LUC) 1 land. Urban development should “avoid” LUC 1 land and a land buffer should be applied to mitigate reverse sensitivity impacts on agricultural activities operating on LUC 1 land.

Nationally significant infrastructure should “seek to avoid” LUC 1 land.



While we generally support the NPS-UD discussion document and consider an NPS-UDC and NES for LUC 1 land to be urgent, the longer-term priority for addressing unaffordable and unsustainable land use is wider reform of the resource management system.

We consider that there is a high risk that an NPS-UDC as described will not result in more responsive and affordable land for development because it is not lack of central direction which is responsible for failings in the current system.

Councils have under-supplied land for urban development because of the costs of servicing this land with infrastructure. There is weak scope within the Resource Management Act 1991 and, by extension, any NPS, to address the infrastructure funding and financing issue which has disincentivised councils from zoning and servicing land for development.

We note and support the requirement in the NPS-UD for local authorities to deliver Future Development Strategies, but also observe that no further resources are made accessible to councils to implement these strategies.

Until either funding for development (investment from central government) or financial return from development (wider taxation powers for local government) is allocated to the enabling infrastructure for development, we consider aspirations to achieve competitive land markets and affordable housing to be unrealistic.

This process requires much more significant reform than is possible through an NPS. Reform of the statutes governing the planning, funding and financing of development infrastructure together with land use and environmental planning is necessary.

Infrastructure New Zealand has set out these proposals and the reasons for them in our report *Building Regions: A Vision for Local Government, Planning Law and Funding Reform* published in August this year. This report is attached to the submission as an appendix.

We support the resource management system review process underway and emphasise the importance of ensuring this NPS process supports and facilitates much needed wider reform.

We Support Improved Guidance for Urban Development

New Zealand has a housing affordability crisis.

New Zealand homes are on average the most expensive relative to incomes across comparable nations.¹

High cost housing is the result of lack of supply.²

¹ Demographia, 15th Annual Demographia International Housing Affordability Survey 2019

² New Zealand Productivity Commission, Housing Affordability Inquiry, March 2012.



Constraints on the release of land have elevated land prices, inflating house prices. Homeowners have an incentive to oppose new development and councils have weak incentives to accommodate new growth.³

The resulting increase in land prices in high growth cities has evolved into a wider cost of living crisis.

The Government now spends close to \$2 billion per annum subsidising housing through the Accommodation Supplement.⁴

PwC recently found that New Zealand cities had severely underperformed Australian cities over the last decade in terms of improvements to discretionary income, largely due to home price inflation exceeding interest rate declines. Auckland was the only city in Australasia to experience falling discretionary income over the past decade, largely due to the housing crisis.⁵

We therefore agree that improved national guidance is an important first step to addressing New Zealand's housing affordability crisis.

We Support Improved Guidance for the Protection of Elite Soils

New Zealand is experiencing one of the highest rates of population growth in the OECD.

People need land to both live on and live from.

Population growth therefore increases pressure on finite land resources.

New Zealand has not managed increased pressures on land well.

Between 1990 and 2008, 29 per cent of urban development occurred on LUC 1 and 2 land which covers 5.2 per cent of total land area.

While we consider extreme caution should be exercised before concluding that these figures in isolation indicate poor land management, we also note that development has been allowed to proceed on, among other places, Pukekohe's elite LUC 1 land.⁶

Comprising just 0.01% of Auckland's total land cover, the Pukekohe hub contributes to a staggering 26% of the country's value of vegetables.⁷

³ New Zealand Productivity Commission, Using Land for Housing, September 2015.

⁴ Budget 2019.

⁵ PwC, Competitive Cities: A Decade of Shifting Fortunes, 2019.

⁶ http://archive.stats.govt.nz/browse_for_stats/environment/environmental-reporting-series/environmental-indicators/Home/Land/land-cover.aspx

⁷ Deloitte, New Zealand's Food Story: The Pukekohe Hub, 2018.



That urban development has been permitted on the less than 5000 ha of land around Pukekohe which produces so much of New Zealand's agricultural value is a severe failing.

Elite LUC 1 land must be subject to improved protection from urban development.

A Single NPS

However, while we support improved guidance for urban development under the RMA and consider there is an urgent need to protect New Zealand's best soils for agriculture, we are unclear how the NPS-HPL and NPS-UD as described will interact in practice.

If a developer wishes to deliver homes on LUC 3 land in Paerata which is currently being land banked and not commercially farmed, will that developer receive consent from a council?

Could an owner of elite LUC 1 land around Pukekohe, currently producing enough spinach to meet Auckland's entire demand, receive a consent to convert that land to housing?

Could Transpower or NZTA be declined a consent to extend existing nationally critical infrastructure traversing LUC 2 land that is currently used for horse breeding in Clevedon?

Will councils use an NPS-HPL to avoid zoning market-attractive land, thereby reducing their infrastructure commitments but also slowing the supply of development land and increasing housing costs?

What are the cost implications for housing of including LUC 2 and 3 land in the NPS-HPL and who will carry those costs?

The two NPS documents address interdependent issues.

The solution is not to divide these two highly interdependent issues into discrete pieces, but rather to embrace their connections and develop a comprehensive NPS that has regard to urban development and more productive soils through the RMA.

A single NPS-UD which recognises the relative productivity of land would help to ensure a more consistent approach to development and could prevent councils from using one NPS to justify actions that defeat the aims of the other.

The NPS-UD Should Prioritise Housing Supply and Affordability

The NPS-UD, and the previous NPS-UDC which it intends to replace, are designed to address the land supply issue which has contributed to a housing affordability crisis in growth areas across New Zealand.

While other issues, such as quality urban environments, are also relevant opportunities to address, the fundamental issue a reformed NPS-UD should address is affordable land supply for urban development.

However, the NPS-UD discussion document states that “the central consideration for local authorities should be achieving the features and functionality of quality urban environments.”

This statement ignores the importance of housing affordability and adequate land supply, and makes quality urban environments the chief goal of councils.

Not only does this fail to address housing affordability, it risks exacerbating the problem. In striving to build quality urban environments, councils and residents may particularly disfavour housing affordability in favour of concerns such as noise, sightlines, congestion, historical character, etc.

Objective 5 in the document does address affordability:

Objective 5: “To ensure local authority policies, plans and strategies enable enough opportunities for development to meet diverse demands for housing and business land.”

We consider this should be the first objective and should replace quality urban environments as the “central consideration for local authorities.”

National Direction Should Protect New Zealand’s Elite Soils

The NPS-HPL attempts to protect New Zealand’s highly productive land.

We strongly support the protection of New Zealand’s most versatile and productive land for food production.

However, the HPL discussion document defines highly productive land as areas that are under Land Use Classification (LUC) 1, 2 and 3. LUC 1, 2, 3 covers 15% of New Zealand’s land.

We find it difficult to reconcile the attribution of “highly productive” land to LUC 1, 2 and 3, noting that existing horticulture and cropping cover less than 2% of New Zealand’s land today.⁸

We are disappointed in the lack of analysis and empirical discussion explaining why LUC 1, 2 and 3 land has been chosen to define what is highly productive.

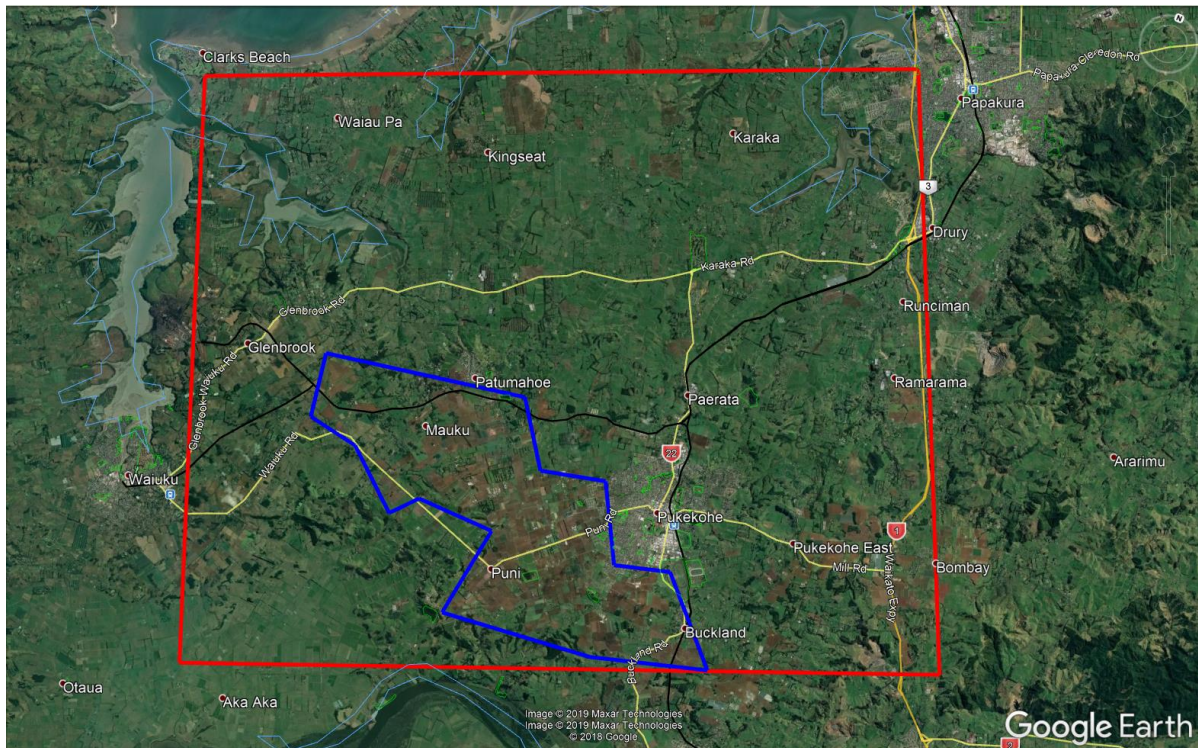
LUC 1 land in Auckland, for example, is concentrated in the Pukekohe hub and covers barely 4,400 ha.⁹

⁸ Ministry for the Environment and Statistics New Zealand, Our Land 2018.

⁹ Deloitte, New Zealand’s Food Story: The Pukekohe Hub, 2018.

This small area of land covers around 10% of the roughly 40,000 ha of land southwest of Papakura that is the most technically feasible and marketable for urban development near to New Zealand’s city with the greatest growth pressures and constraints.

Figure 1. A snapshot of southern Auckland’s greenfield land. The red box has an area of ~40,000 ha, while the blue polygon, surrounding the primarily LUC 1 land around Pukekohe, is around 5,000 ha.



The area to the south of Auckland is essential for enabling growth and development along the Hamilton-Auckland rail corridor, a priority development corridor for the Government, and one which is also nearly completely covered in LUC 1, 2 and 3 land.¹⁰

We therefore find the NPS-HPL in direct conflict with Government policy and the proposed NPS-UD.

Furthermore, while we understand the demand and opportunity for urban development in the area south of Papakura, we are much less clear what the demand and opportunity for food production is.

A bare minimum of 5000 ha is needed to protect elite land around Pukekohe, but what is the productive capacity of the 20,000-30,000 ha of land north of, and excluding, the elite LUC 1 soils around Pukekohe?

¹⁰ <https://www.beehive.govt.nz/release/first-urban-growth-partnership-signed>

We are aware that a proportion of this land is currently used for dairying.

In 2017-18, the New Zealand dairy herd approximated 5 million cows at a density of 2.84 cows per ha.¹¹ In Auckland, herd density is slightly lower at 2.42 cows per ha across 43,000 ha.

Conversion of each hectare (10,000m² or ten quarter acre sections of land) from dairy to urban development in Auckland's south would affect on average 2.42 of New Zealand's 5 million dairy cows.

We are unclear of the amount of land in southern Auckland used for dairying but, if 10,000 hectares are assumed, some 24,000 cows or half of one per cent of New Zealand's herd are located in the area.

At existing Auckland population densities, 10,000 ha would house and employ 250,000 people.¹²

We are challenged to understand why LUC 2 and 3 land in Auckland's south and elsewhere, which produces so little of New Zealand's actual agricultural production, are classed as highly productive.

Worse, it is our deep concern that the 4,400 ha of Pukekohe land, which represents the most productive and strategically important agricultural land in New Zealand is not more stringently protected by the NPS-HPL.

On the basis that available evidence suggests the NPS-HPL could have severe impacts on the availability of developable land near to New Zealand's fastest growing urban areas and that it will not protect New Zealand's truly productive land, we do not support the NPS-HPL.

An NES for LUC 1 land

LUC 1 "elite" land should be protected by a National Environmental Standard (NES) that would prevent unnecessary, wasteful, and relatively unproductive uses.

Urban development should "avoid" and nationally significant infrastructure should "seek to avoid" LUC 1 land.

LUC 2 and 3 land, covering roughly 5% and 10% of all land in New Zealand respectively, are not as productive and could, depending on the context, have more value supporting other activities beyond primary industries such as tourism, transport, housing, and their supporting infrastructures.

LUC 2 and 3 land should be addressed in the HPL-UD and balanced against competing priorities.

¹¹ LIC and Dairy NZ, New Zealand Dairy Statistics 2017-18.

¹² Using population density across Auckland's existing urban area of 25 persons per ha, <http://knowledgeauckland.org.nz/assets/publications/Measuring-Aucklands-Population-Density-26052014-Complete.pdf>



Sufficient land should be protected adjacent to LUC 1 land to protect productive activities from reverse sensitivity.

If generously applied, for example, if a 1km “buffer” around LUC 1 land was implemented, this would not only protect activities from reverse sensitivity but provide flexibility for future food production.

The NPS-UD should require councils to make informed decisions, based on cost-benefit analysis, of the future value (across all four well-beings) that land could provide for all types of uses.

The NES-Elite Land (LUC 1) should not be used as an excuse to prevent legitimate development that provides net well-being, but should also ensure the best soils are protected indefinitely.

The System is Fundamentally Broken

While we generally support the NPS-UD discussion document and consider an NPS-UD and NES for LUC 1 land to be urgent, the longer-term priority for addressing unaffordable and unsustainable land use is wider reform of the resource management system.

The NPS-UD and NPS-HPL are designed to enable urban development while also protecting areas of highest value for New Zealand’s primary industries.

These twin goals are vitally important. New Zealand’s primary industries are the lifeblood of the economy while urban development is the key enabler of well-being for all New Zealanders.

Urban areas are struggling to enable sufficient development and highly productive land is increasingly fragmented and at risk.

However, we are not confident that these NPSs will be sufficient to address the problems facing development, and environmental protection in New Zealand.

This is because the system for addressing these challenges is dramatically and fundamentally broken.

Urban areas are not developing at a sufficient pace because councils, who enact the RMA, are not incentivised to enable growth.

Councils are expected, through the RMA, to enable growth to meet national goals, but they do not reap any of the benefits of the well-being that their growth generates. Central government gets 93% of the taxes when the population grows and gets more productive, but local councils only get a marginally bigger ratepayer base to spread out their fixed costs.

Highly productive land is being lost and fragmented because councils, who control land supply through the RMA, are not incentivised to promote primary industries nor to release large areas of land for purchase. With their primary goal being to limit their expenditure and satisfy existing ratepaying landowners, councils have no desire to protect highly productive land.



While the NPSs attempt to adjust the policy guidelines for councils, without the right incentives in place councils will continue to use whatever mechanism they can to act in their own interest rather than in the national interest.

And in the RMA councils have an ideal document that enables them to find the reasons for choosing not to develop.

The RMA is an effects-based legislation that works to react to minimise or stop any negative effects stemming from land uses.

This effects-based, reactive approach is diametrically opposed to central government's proactive and outcome-oriented goals for producing well-being for all New Zealanders.

Work by Infrastructure New Zealand and others has found that the RMA has impeded development, leading to missed economic and social outcomes, while also failing to adequately protect the environment.¹³

Thus, while we support the NPS-UD and important components which seek to strengthen alignment with other legislation, particularly the requirement for Future Development Strategies, we do not consider that these prescriptions will deliver affordable and adequate urban development.

A New System: Proactive Planning

What is instead needed is a proactive system of planning for sustainable development that moves the needle on all four well-beings.

The first pillar of this is a revised Environment Act that sets statutory guidelines for environmental outcomes and establishes a national body to monitor and regulate outcomes across New Zealand. Rather than being effects-based, this Act would require planning and development agencies to adhere to environmental guidelines and mitigate them when possible.

The second pillar would be a Development Act that requires the stakeholders involved in land use planning (government agencies, private sector, iwi, NGOs, etc.) to proactively develop cooperative, integrated, and long-term plans that are designed to deliver quadruple bottom-line outcomes.

Instead of focusing on where to put a new road, or how dense new housing should be, the Development Act would first and foremost ask planning stakeholders to focus on outcomes like shorter commute times, affordable housing, etc. From these outcomes, authorities could design the best solutions that would produce healthy, affordable, and connected communities.

¹³ EDS, Evaluating the Environmental Outcomes of the RMA, 2016.



These two Acts would work together to ensure that outcomes across all four well-beings are being delivered. But they would also stop any outcome or set of outcomes from being promoted to the detriment of the others.

Spatial Planning

Both the Environment Act and Development Act would achieve their outcomes through the use of spatial planning.

Spatial planning is the proactive and integrated way to comprehensively allocate land use.

The way we use land is the largest influencer of environmental, social, cultural, and economic well-being and the main indicator of what we, as a nation, value.

Congestion and public transport patronage rely on transport corridors being aligned with homes, jobs, and recreation. Affordable housing is based on adequate supply and usage of land for housing. Freshwater quality is dependent on the land use activities along rivers and lakes. Effective land use and well-being are inexorably tied.

Spatial planning forces stakeholders to think long-term about how their areas will provide outcomes in the long-term.

Utilities, water agencies, transport agencies, developers, iwi, communities, councils, and government departments collaboratively identify locations that take best advantage of their existing assets and take into account their particular needs.

Through spatial planning, homes would no longer be consented in the most expedient location, but instead in the best location to ensure they were affordable, accessible, and resilient.

Investment in roads or public transport be along the corridors that would result in the most economic, social, environmental, and cultural value.

Spatial planning forces infrastructure providers to strategically plan their investments and provides the opportunity to efficiently collocate resources where possible.

Clear no-go zones such as elite soils, irreplaceable habitats for native species, or cultural heritage sites can be identified early on in the planning process, preventing contentious and expensive conflicts from occurring.

Central Government Activities Need to be Aligned

Successful and affordable urban development is not the sole responsibility of local government.

Urban environments contain elements that are paid for and delivered by both local and central government.

Three waters services, local roads, local parks, and public transport services are largely provided by local councils.

However, schools, hospitals and state highways are funded and delivered by central government and local roads and public transport are cofounded centrally.

Urban development is not feasible without schools and transport, both activities that local authorities have little or no control over.

A key and justified concern for local authorities is that land for development could be zoned and serviced with local investment but left unsupported by central government.

We note, for example, that Tauranga City is in the midst of a severe housing affordability crisis and confronted by an equally severe lack of developable land. The principal land development opportunity in Tauriko, however, cannot proceed due to a lack of funding for a State Highway 29 upgrade.

A potential risk for Tauranga is that the city could fund and deliver millions of dollars of investment to support the development only for central government activities to leave investment stranded.

It has also been reported that almost half of all new classrooms delivered in Auckland over the past five years have been temporary units.¹⁴

How can local authorities plan, allocate, and deliver limited local resources to support growth when their much better resourced central government partner cannot be relied upon to perform its vital functions?

Requiring local councils to develop urban environments of a certain description is only half of the solution. A complete picture equally requires central government agencies to participate – notably the Ministry of Housing and Urban Development, Kāinga Ora, NZTA, Kiwirail, the Ministry of Education, the Ministry of Health, District Health Boards, and the Ministry of Transport.

In fact, all central government agencies that manage land uses should be required to participate, where they are relevant stakeholders. This could include the Ministry of Defence, the Department of Conservation, the Department of Corrections, Transpower, etc. However, the best implementation of

¹⁴ https://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=12238721



this collaboration should be an entirely collaborative spatial planning regime that incorporated all stakeholders, both public and private sector.

Empowered Regions for Planning

The best scale for integrated and proactive spatial planning would be at a regional level.

Local councils are too small in size. Most New Zealanders live, work, and socialise in areas that span multiple local councils. Effective planning needs to make sure that most kiwis' daily activities can be coherently planned. Local councils would remain a major stakeholder and ensure that local responsibilities are delivered effectively.

Central government is too large to deliver locally-relevant plans. Central government's tendency towards one-size-fits-all solutions and its lack of local knowledge mean its ability to spatial plan across New Zealand would be limited. Central government is best suited to plan cross-regional services (e.g., the electrical transmission grid, the national rail network) or to identify developments or concerns in the national interest (e.g., the need for future electricity generation capacity, the need for a fuel pipeline).

Rather than based on environmental catchments, regions would be decided based on the areas across which most work, life, recreation, and trade occurs. If Thames-Coromandel and Hauraki feel better positioned to be aligned with the Bay of Plenty rather than the Waikato, that would be accommodated. If Otago and Southland saw mutual benefit in working together, they could choose to unite.

Regions would plan and deliver the key services needed to drive well-being in their areas: transport, housing, water. But they, rather than central government, would decide how to address well-being with these tools. Government support would be provided regardless of the method, so long as outcomes were being achieved.

Central government may require that a region increases the discretionary income of its residents, but the region itself would decide how to get there: by delivering affordable homes at scale in greenfield, by enabling urban intensification along transport corridors, or by investing in transport to increase labour productivity.

These Changes Can Happen Soon

The Government does not need to dramatically reform local government to begin this process.

Rather, an initial trial can, and should, be done to test the ability and willingness of regions to plan for outcomes.

Augmenting the existing \$3 billion Provincial Growth Fund with an additional \$3 billion would create a Regional Growth Fund that councils would collaboratively apply to for funding.



Councils could only access the funds by collaborating with others, not individually. Councils would have to develop a shared vision for their combined area and would commit to certain deliverables including a first spatial plan as well as certain outcomes such as an increase in housing affordability, or a decrease in average travel times.

Through these regional deals, councils would identify neighbours with both shared resources and vision for how to grow and meet their local needs.

Councils that are unwilling to collaborate, or that fail to follow through on their commitments would simply not participate in the program and would continue with business as usual.

This process would test the waters for how effective councils can be when given a focus on outcomes and vision, and for how taxpayers and ratepayers respond to these changes.

Formal changes to council or regional boundaries would only occur with the consent of ratepayers, contingent on the ultimate success of the process.

Infrastructure New Zealand has set out these proposals and the reasons for them in our report *Building Regions: A Vision for Local Government, Planning Law and Funding Reform* published in August this year. This report is attached to the submission as an appendix.

Without Fundamental Reform, Other Efforts Only Treat the Symptoms

Without addressing the fundamentally twisted incentives behind the limited urban development and fragmentation of highly productive land, the problems we are seeing will only continue.

The proposed NPSs attempt to force councils to plan their urban development in the ways central governments wants them to: in a way that promotes all four well-beings.

However, without changing the twisted incentives for councils, they will continue to use any and every tool to fight growth, limit their costs, and appeal to existing landowners.

If councils benefited in any meaningful way from facilitating growth and productivity in their area, they would do so without hesitation.

Acknowledging that fundamental RMA reform has already begun, and that that is the only true way to address these issues, the current NPSs are attempts at interim measures to improve planning.

As interim measures before RMA reform, the NPSs should emphasis three key points: housing affordability, bringing central government to the table, and keeping elite soils intact and productive.



Revolution Not Evolution

Both NPSs have laudable goals. New Zealand must protect its highly productive land – particularly its elite soils (LUC 1). We must also ensure development happens at scale to ensure quadruple bottom-line performance and, crucially, ensuring success for those that cannot afford to pay for the inefficiencies of poorly-planned cities.

These challenges are ultimately failures of the RMA. And the solution to them lies not in tweaking the emphasis of the RMA documents, but rather in fundamental reform.

Councils have fragmented productive land because they cannot afford to release land in large quantities. Landowners have purchased productive land for non-productive purposes because land banking on the edges of urban areas generates all the productivity they could need.

Similarly, councils have impaired development across their cities, knowing that they cannot afford to service the infrastructure those locations will need.

The solution to these problems is not to force councils to do things in the best interest of the nation, regardless of the cost or challenges, but instead to enable them to get value from doing things the right way.

New Zealand is in urgent need of collaborative and strategic spatial planning that prudently trades off different values and needs for the ultimate well-being of all New Zealanders.

This should be done at the regional level, and councils should be supported and empowered by central government to drive regional well-being in support of national goals.

This substantive reform is essential to ensure New Zealand grows sustainably for the future. Minor changes to the current system are unlikely to produce meaningful change.

Please find attached to this submission Appendix 1: *Building Regions: A Vision for Local Government, Planning Law and Funding Reform*

We thank the Ministry of Housing and Urban Development, the Ministry for the Environment, and the Ministry for Primary Industries for this opportunity to submit.