

Submission to the New Zealand Productivity Commission's Draft Report *Using Land for Housing*

We commend the Commission's draft report *Using Land for Housing*, in particular the scope and depth of research. We support the Commission's recognition that cities are 'national assets', and that good housing is fundamental to the health and wellbeing of New Zealanders.

This submission has been written by researchers from the New Zealand Centre for Sustainable Cities and from *He Kainga Oranga*/Housing and Health Research programme, both located within the Department of Public Health at the University of Otago, Wellington, and led by Professor Philippa Howden-Chapman.

The New Zealand Centre for Sustainable Cities is an inter-disciplinary research centre dedicated to providing the research base for innovative solutions to the challenges of economic, social, environmental and cultural development of our urban centres. As well as undertaking research, we make submissions to central government and councils on a range of issues relevant to cities, from climate change policy to the design and reconstruction of Christchurch. The Centre is currently administering the four- year Resilient Urban Futures programme, funded by the Ministry of Business, Innovation and Employment, which began in October 2012.

He Kainga Oranga/Housing and Health Research programme has undertaken extensive investigation into the links and associations between housing and health over a number of years and has achieved an international reputation for high quality work, recognised by the awarding of the Prime Minister's Science Prize to the group in 2014.

This submission is focused on the areas of the draft report which are related to our areas of expertise, and includes material from the Resilient Urban Futures programme which has not yet (at the time of submission) been published elsewhere.

Background

With 87% of New Zealanders now living in cities and towns, planning for urban resilience is needed more than ever. This includes ensuring that inhabitants have safe, affordable, healthy homes to live in, with infrastructure that supports their wellbeing and full participation in society. It has been shown consistently that there are significant health, economic, and environmental benefits to be gained from taking a more integrated 'systems' view of cities that are designed to encourage active and socially connected lifestyles.

Cities are complex systems, with multi-dimensional links between housing, transport, urban form, and water. Planning for increased housing supply will be affected by, and will in turn affect, transport and emissions patterns, resource use, quality of life and productivity.

We recently surveyed 3,080 New Zealanders, using a Horizon Research Poll. The results of this survey will be published in a report later this year; however we have included some results that are relevant to this submission.¹

Climate change

Land-use and urban form policies are integral to emissions reduction strategies, and should be addressed at both the local and regional levels as well as the national level.

The Commission notes that emissions reduction policies are “better achieved through national policies (such as the Emissions Trading Scheme) that directly target emissions rather than through a series of regionally specific land-use rules with indirect effects that are hard to predict.” (p. 84).

We agree that strong, targeted policies to reduce emissions are needed at the national level; however, we also argue that cities have a central role to play in reducing New Zealand’s greenhouse gas emissions. Urban form and land-use policies are integral to emissions reductions. International evidence clearly shows that urban form and urban transport have a significant and direct effect on greenhouse gas emissions, and that these should be addressed in tandem with strong, targeted national policies. Reduction of emissions at the city level also has important co-benefits, such as improved air quality and uptake of active transport. (Dodman, 2009; Fragkias, Lobo, Strumsky, & Seto, 2013; Glaeser & Kahn, 2010; Makido, Dhakal, & Yamagata, 2012) .

With cities responsible for 70% of emissions worldwide, there is considerable scope for improvement. Organisations such as ICLEI, the Covenant of Mayors, and the European Climate KIC are mobilising cities to increase resilience, and evidence from Europe shows that modifications at the city level can significantly reduce emissions (Girona, 2014). Whilst we appreciate that New Zealand’s emissions profile differs from most European countries, this should not preclude taking emissions reductions into account when designing policies that can potentially impact urban form. Research has shown that there is ample opportunity to do so, for example through accessibility measures, denser land-use patterns, and integrated planning (Chapman, 2008; Howden-Chapman, Stuart, & Chapman, 2010; Witten, Abrahamse, & Stuart, 2011).

¹ For background to this research, please contact Professor Philippa Howden-Chapman at the NZ Centre for Sustainable Cities.

Density and housing preferences:

First, we note the Commission's recommendation to remove the minimum parking requirement for new buildings, and strongly support this.

The Commission has found that existing home-owners have an interest in slowing the growth of cities and opposing higher density, in part to retain higher house prices, and to avoid paying (through rates) for increased infrastructure. The Commission has further found that existing home-owners have a disproportionate influence on local body politics.

Survey Results

Our Horizon Poll results showed that people were uncomfortable in general with the idea of greater density of residential development in their own neighbourhood. Although views were almost evenly split between perfectly comfortable (26.4%) and not comfortable at all (23.5%) with townhouses up to two storeys high being built in their neighbourhood, respondents became increasingly uncomfortable at the prospect of apartments that were low-rise, medium-rise, and high-rise. The proportion of respondents not comfortable at all with these developments ranged from 23.5% for townhouses, to 31.5% for low-rise apartments, 45.9% for medium-rise apartments, and 65.8% for higher apartments. Those perfectly comfortable ranged from 26.4% to 20.6%, 10.9% and 7% respectively.

Further, equal proportions of respondents thought that new townhouses or apartments would lower property prices in their neighbourhood (32.1%), not make a significant difference (35.6%), or did not know (32.2%).

Wellington respondents were the most likely to think that building new apartments and townhouses would not make a significant difference to values (47%). The findings suggest that fear about property prices was not the main determinant of aversion to apartments being built in respondents' neighbourhoods.

Survey implications

Intensification, if well done with (good quality) higher-density development, will assist the provision of affordable housing while supporting the investments of current homeowners. The potentially negative effects of increased density can be mitigated by good urban design, and long-term investments of homeowners are best protected by a transition to a more sustainable urban form, in which climate protection as well as health and well-being are taken into account.

We found that most respondents were supportive of the components of the Auckland Plan in principle, including zoning changes, and mixed-use and higher density development, but were uncomfortable with these in their own neighbourhoods. We believe more New Zealanders would be comfortable with increased density

in their neighbourhoods if development is undertaken with assurance of quality and attention to good urban design. Similarly, experiencing good examples of dense or mixed-use urban design could assuage some New Zealanders' concerns.

Public green space and good access to amenities helps to ensure that people are more drawn to living in higher density living closer to the city centre. NZ Centre for Sustainable Cities research suggests that medium and high density areas are most appealing to residents when they are highly accessible and also affordable. This research found that there is substantial unmet demand for medium and high density housing in Wellington City.²

Demographics

Our conclusion is that the market does not cater particularly well to changing housing preferences. We found that respondents with children were far more likely to prefer a standalone house further from the city centre, though we speculate that this could be associated with a paucity of supply of higher-density and affordable housing that is suitable for families. In our 2011 book *Growth Misconduct: Avoiding sprawl and improving urban intensification in New Zealand* the authors argue that “inner-city housing developments need to include the needs of families with children.” PhD research associated with the Resilient Urban Futures programme has also found that in Wellington, there is significant demand (stated preference) for 3 and 4 bedroom apartments/higher density dwellings, but that most supplied are 1 and 2 bedroom. This is consistent with the pattern of those of child-rearing age moving to a standalone house further out, in part because their preferences for inner-city dwellings are not adequately supplied. We further found through our survey that the majority of respondents in the 65+ age group preferred to live in a smaller dwelling closer to the city centre.

Auckland researchers have found that due consideration also needs to be given to the ways in which children experience and use urban areas, and have recommended that higher-density development take account of children's safe movement around cities, and provision of adequate shared play space (Carroll, Witten, Kearns, & Donovan, 2015).

Infrastructure

Development should be concentrated on infill and brownfield development where possible, which will reduce the cost of being infrastructure-ready.

² For background to this research, please contact Nadine Dodge or Assoc. Prof Ralph Chapman at the NZ Centre for Sustainable Cities.

The increased costs of infrastructure development associated with greenfield development should act as a disincentive for such development. Most New Zealand cities have infrastructure with spare capacity, as is cited in the Commission's draft report, and therefore infill and brownfield development can be supported without significant additional costs to existing ratepayers. Research by Matt Adams and Ralph Chapman, described briefly in our forthcoming report *Drivers of Urban Change*, clearly demonstrates a relationship between increased density and decreased total infrastructure cost per capita, measured at the territorial authority level.³

Building Heights and footprint

Lifting building height restrictions, and increasing the footprint of buildings on the land, needs to be done with due consideration for concomitant effects.

A forthcoming paper by our researchers shows that a scenario in which buildings in some areas were increased to 25 metres would see a dramatic deterioration in air quality at current traffic density levels (Uhrner, Randal, & Howden-Chapman, 2015). We note that the Commission has recommended that current building height limits are lifted where it cannot be demonstrated that the costs outweigh the benefits. Increasing the footprint of mixed-use development can assist in reducing the need for greater heights on standalone buildings, and should be prioritised accordingly. However, it should also be noted that increasing the footprint of buildings on the land can increase impervious surfaces, contributing to potential stormwater runoff issues.

Inter-generational equity

Inter-generational equity underlies the need to ensure that future generations have resilient cities to live in, and that our actions now are in the best interests of reducing preventable harm to future communities.

The Commission notes: "Debt is an important source of finance for urban infrastructure in high-growth areas. It enables councils to deliver infrastructure when it is most needed and for infrastructure costs to be spread over the life of the asset. This means that those who benefit from the infrastructure contribute to paying for it, which promotes intergenerational equity." (p.9)

Acquiring assets using debt can only be justified if the effects on the wellbeing of future communities are sufficiently certain and outweigh the risks of intergenerational debt. In addition, we recommend that the Commission take into account that increased debt reduces future choice. Increased debt can affect the

³ For background to this research, please contact Assoc. Prof Ralph Chapman at the NZ Centre for Sustainable Cities.

community's (and future generations') ability to finance other needs and may undermine its resilience to future events and trends.

Democracy and decision-making

The Commission has recommended that “speeding up the translation of spatial planning processes into land use regulation, without compromising analytical rigour or consultation, is likely to require the development of a new legislative avenue”. Further, that “[f]uture plans prepared under the proposed new legislative avenue should be developed in partnership with the full set of central government agencies...Given the fiscal implications of greater central government involvement in spatial planning, both Cabinet and the relevant local authority should approve any future plans.” (Full document, Overview, p.5)

We note three points on this matter.

Poll results

First, in our recent Horizon Poll we asked respondents about the council's role in city planning. The majority, (58.6%) believed that “councils, representing residents, should have the key role in defining the limits and form of the city”, as opposed to market forces. This is an increase from the 51% who supported the council's role in our 2009 survey. We note that this displays a strong sentiment that city planning should be directly accountable to residents.

Central government role

Second, we are not persuaded of the case for such an intrusion by central government into local special planning. We recommend that the Commission seek an opinion from a constitutional lawyer on the recommendation that central government agencies have a greater involvement in spatial planning and have more engagement with local government on land supply and housing, and given associated fiscal implications that Cabinet be required to formally approve decisions as well as local authorities. Is there not a corresponding onus on central government agencies to provide resources that enable local government to make better decisions in the manner that the Commission describes? Why is there a need for Cabinet to formally approve future plans? We appreciate the fiscal implications and that greater efficiency might conceivably be afforded from greater central government involvement, but we would place more weight on the importance of local democracy, consultation, accountability, and legitimacy, principles we believe might be compromised by greater centralisation.

Decentralisation versus centralisation

Third, and related to the principles of local democracy, consultation, and accountability, we note the PhD thesis of Sergi Nuss Girona, evaluating and comparing ‘green cities’ in Europe. One of his findings was that the cities which exhibit a more decentralised power structure performed better in terms of capacity to stimulate low-carbon development: “[c]entralized models...restrain city action in topics such as Energy Supply, Energy Efficiency and Sustainable Mobility. The absence of intermediary regional levels...impedes the coordination of policies between municipalities and the establishment of strategies. Decentralized systems...allow for much more bottom-up initiative...and the development of regional policies, bodies and processes.” (Girona, 2014) Whilst local government differs in scale and resourcing between Europe and New Zealand, we note that this finding was consistent over six countries with a range of different settings, populations, and economies, and therefore may contain useful lessons for other contexts. Though this does not directly relate to land use for housing, it is important in terms of our conception of cities as systems, in which such policies must be considered relationally.

Responses to particular questions/findings:

Chapter 3 – Integrated planning

Finding 3.3

Inquiry participants report a number of benefits from New Zealand’s spatial planning processes, including greater intra-regional cooperation and understanding, more efficient infrastructure use and investment, and a better ability to respond to crises or new policy initiatives.

Question 3.1

Is there other evidence of the benefits or costs from New Zealand’s spatial planning processes that the Commission should be aware of?

Benefits of spatial planning processes include opportunities for partnerships with iwi, hapū, and other Māori organisations in urban areas

The Commission acknowledges that ‘...the need to assemble land for housing development can also provide opportunities for partnership. Some Iwi are increasingly important developers in their region’. Research by Te Matapihi National Māori Housing Organisation, for the Independent Māori Statutory Board in Auckland, emphasises the importance of considering partnerships with Māori organisations, including iwi and hapū, in

the development of our urban areas ("Affordable Housing for Māori in Tāmaki Makaurau," IMSB/Te Matapihi 2014). Iwi and hapū, as tangata whenua and as landowners, are an increasingly important part of urban management in New Zealand.

The unique relationship of Māori with their land, recognised as a matter of importance in the Resource Management Act 1991, must also be considered in the development of strategic plans, and therefore the location of Māori land and land acquired under Treaty settlement, which iwi and hapū desire to develop, must be considered in strategic planning. Analysis of growth plans (Stuart & Thompson-Fawcett, 2010) found that, although strategic spatial plans acknowledged the importance of Māori developing their own land, few plans actually set their development direction with regard to the location of Māori land. However, strategic planning processes have the potential to enable dialogue between local government and iwi, hapū and other Māori organisations, and, through sharing understandings of aspirations, can set a vision for the development of the region which is shared by all parties.

As an example at a smaller scale, research currently being undertaken by Massey University exploring a not-for-profit housing development at Weymouth/Waimahia suggests very strong alignment between the objectives and values of the two Māori organisations involved (Tāmaki Collective and Te Tumu Paeroa) and their partner community housing providers. The success of this partnership provides a platform for future developments of this nature. Research to date indicates that a second critical factor that has enabled development at Waimahia is the very significant financial contribution from central government (\$29 million) and additional support from Auckland Council (agreement to purchase land for reserves etc)⁴.

Finding 3.12

Duplicative statutory consultation requirements make it time-consuming and costly for local authorities to translate spatial plans into RMA regulatory plans.

Question 3.4

What processes or mechanisms should be used to ensure that proposals for new landuse regulation in future spatial plan are subject to rigorous and independent scrutiny?

Spatial plans and land-use regulation require different levels of engagement with the community

Research currently underway examining planning and development of land owned by Māori suggests that the level of engagement required for a strategic spatial planning process and for a district plan review process are quite different. Any initiative to minimise engagement in the development of land-use regulation needs to

⁴ For background to this research, please contact Karen Witten at Massey University.

recognise the dual roles of tāngata whenua having a strategic relationship as kaitiaki to all land within their rohe; and having a direct relationship to lands retained or returned to their ownership⁵

Chapter 4 – Supplying and releasing land

Finding 4.9

Opportunities may exist to use Crown and local authority land holdings in other cities to help offset the nationwide shortfall of lower-priced housing

No relevant Question

Use of ‘surplus’ Crown land for housing is affected by Right of First refusal

The right of first refusal mechanism, which allows iwi the right to acquire further Crown land within their rohe as redress for grievances under Te Tiriti o Waitangi, is a unique feature of the New Zealand planning system. The Commission will be aware of the claim filed by Waikato-Tainui and Ngāti Whātua o Orākei to the High Court in mid-July 2015 (see <http://www.ngatiwhatuaorakei.com/iwi-to-file-statement-of-claim/>). This claim highlights the increasingly significant role of iwi as owners of land in New Zealand cities, and the desire of iwi to contribute to housing development. Further information about the role of land acquired under Right of First Refusal can be found in the evidence of Waikato-Tainui to the Independent Hearing Panel on the Proposed Auckland Unitary Plan (see <https://hearings.aupihp.govt.nz/hearings> under ‘Previous hearings’; ‘Topic 036 Māori Land and Treaty’; ‘036 - Hrg - Waikato-Tainui Te Kauhanganui Incorporated - Timothy Manukau’). Right of First Refusal needs to be considered not as a ‘complicating factor’ that prevents the government from achieving better urban development, but as an opportunity for dialogue and partnership.

Chapter 5 – Regulation and approval process

Finding 5.15

Even with reform, some planning systems may continue to impose a degree of restriction on the supply of housing or struggle to resolve longstanding supply deficits quickly. Inclusionary housing policies may therefore be a “second best” response to housing affordability issues in these areas.

No relevant Question

⁵ For background to this research, please contact Bidy Livesey at Massey University.

Inclusionary zoning may best assist those in greatest need if the housing is sold to third-sector housing providers or Housing New Zealand

As the Commission suggests, inclusionary zoning is a useful tool to increase the number of houses built for the 'affordable' market. In general, despite the views expressed by the Commission, we support inclusionary zoning. However, research undertaken by Te Matapihi cautions that the definition of 'affordability' used in defining the outcomes of inclusionary zoning in the Proposed Auckland Unitary Plan marginalises Māori. This marginalisation occurs because Māori households have a lower income, on average, than general households, but the 'affordability' thresholds are set against the general average income. Therefore, inclusionary zoning may do little to assist households in the greatest need, including a disproportionate number of Māori households. However, the research suggested that if 'affordable housing' developed under inclusionary zoning requirements was sold to third-sector housing providers, rather than straight to home owners, these third-sector housing providers would be able to extend housing to prospective tenants and home-owners with a wider range of incomes ("Affordable Housing for Māori in Tāmaki Makaurau," IMSB/Te Matapihi 2014).

Chapter 10 – Planning and funding our future

Finding 10.6

Any proposal for compulsory acquisition of Māori land would face sensitive Treaty issues. Any regime to compulsorily acquire land for housing developments needs to recognise both the associated risks and positive partnership opportunities.

Question 10.1

What are the important design features of an Urban Development Authority? What are the risks with this approach, and how can they be managed?

Compulsory acquisition of land for housing

The Commission recommends the investigation of an Urban Development Authority, or Urban Development Authorities, with powers including the compulsory acquisition of land for housing. We support this, as we consider there are important instances where the collective interest in land aggregation for efficient development can outweigh the private interest in protection of existing properties. That is, balancing is

necessary between the wider public interest and the local particular interest,⁶ and institutional rules, principles and safeguards are needed to resolve debates about conflicting interests.

It would be against the Treaty principles of good faith and redress for an Urban Development Authority to compulsorily acquire land which had been returned to iwi or hapū for the settlement of grievances under te Tiriti; especially as many of those original grievances relate to the acquisition of land. Compulsory acquisition of land should always be an avenue of last resort.

In these cases, it would be constructive to investigate ways in which the ownership of the land and the development of housing can be separated. For example, the development of papakāinga on multiply-owned Māori land uses a 'license to occupy' system which allows an owner to reside on land owned by a trust. This model is not unlike a Community Land Trust, a mechanism used to provide affordable housing in perpetuity in the United States, United Kingdom, and Australia ("Affordable Housing for Māori in Tāmaki Makaurau," IMSB/Te Matapihi 2014).

Conclusion:

Increasing the supply of a range of dwelling types is imperative to addressing the current housing shortage in New Zealand cities, notably in Auckland and Christchurch. In the interests of a more resilient and sustainable urban form it is best to prioritise infill and brownfield development, and to limit greenfield development. Further, it is extremely important to the health, wellbeing, and productivity of New Zealand that development is held to high standards of quality, using a Warrant of Fitness incorporating current EECA standards for any rental housing, and that urban form and infrastructure supports resilient outcomes, including emissions reductions and sustainable resource use. Key points we would underline are:

- Land-use and urban form policies are integral to emissions reduction strategies, and should be developed at both the local and regional levels as well as the national level.
- Intensification, if well done with (good quality) higher-density development, will assist the provision of affordable housing while supporting the investments of current homeowners. Any potentially negative effects of increased density can be mitigated by good urban design, and long-term investments of homeowners are best protected by a transition to a more sustainable urban form, in which climate protection as well as health and well-being are taken into account.
- Development should be concentrated on infill and brownfield development where possible, which will reduce the cost of being infrastructure-ready.
- Lifting building height restrictions, and increasing the footprint of buildings on the land, needs to be done with due consideration for concomitant effects.

⁶ Institutional economists might call this complex interdependence, where multiple overlapping governance institutions have a role: see for example, Paavola, J., et al. (2005) Institutional ecological economics. *Ecological economics*, 53, 3, 353-368.

- Inter-generational equity is a strong reason for ensuring that future generations have resilient cities to live in, and that our actions now are in the best interests of reducing preventable harm to future communities.
- The Commission touches on the importance of local democracy, consultation, and accountability, principles we believe might be compromised by greater centralisation. Cities which exhibit a more decentralised power structure tend to perform better in terms of capacity to stimulate low-carbon development.
- Benefits of spatial planning processes include opportunities for partnerships with iwi, hapū, and other Māori organisations in urban areas.
- Any initiative to minimise engagement in the development of land-use regulation needs to recognise the dual roles of tāngata whenua having a relationship as kaitiaki to all land within their rohe; and having a direct relationship to lands retained or returned to their ownership
- Right of First Refusal needs to be considered not as a ‘complicating factor’ that prevents the government from achieving better urban development, but as an opportunity for dialogue and partnership.
- Inclusionary zoning is generally desirable, but housing so developed will only assist those in greatest need if sold to third-sector housing providers or Housing NZ.
- There is a strong case for an Urban Development Authority. However, it would be against the Treaty principles of good faith and redress for such an authority to compulsorily acquire land which had been returned to iwi or hapū for the settlement of grievances under the Treaty; especially as many of those original grievances relate to the acquisition of land. Compulsory acquisition of such land should always be an avenue of last resort.

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