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New Zealand Productivity Commission
Better Urban Planning
Issues Paper

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NZCID Submission to the Productivity Commission on the Better Urban Planning Issues Paper¹

The New Zealand Council for Infrastructure Development (NZCID) is the peak industry body for the infrastructure sector and promotes best practice in national infrastructure development through research, advocacy and public and private sector collaboration. NZCID members come from diverse sectors across New Zealand and include infrastructure service providers, investors and operators.

NZCID has investigated issues around the Resource Management Act 1991 (RMA), Local Government Act 2002 (LGA) and Land Transport Management Act 2005 (LTMA) for a number of years owing to concerns we have held from an infrastructure perspective that the planning system was not responsive to national economic and social objectives.

More recent developments in the residential property sector have demonstrated that the system is not just unresponsive, but is fundamentally inconsistent with the most basic public and private needs of New Zealand residents and businesses.

The urban planning system in New Zealand broken.

We strongly support work by the Productivity Commission (the Commission) to investigate from a first principles perspective what an appropriate land allocation system might look like.

We have developed an extensive paper on the need and options for radical revision of New Zealand's dysfunctional urban planning system. This paper, *Integrated Governance, Planning and Delivery*, is attached to this overview and is the basis of our submission.

This letter briefly summarises several key points from the report which, in our experience, are often overlooked or underappreciated in discussions around urban planning in New Zealand and which we think the Commission must be cognisant of:

I. Planning cannot be separated from governance

While we strongly support the Commission's investigation into the urban planning system, we do not believe the Commission can develop a coherent planning framework if it does not also consider governance.

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

Urban planning, including the designation and release of land for housing, involves allocation and reallocation of natural resources and property rights. There is only one institution in a democratic system which possesses the mandate to effect decisions of this type: an elected government.

Under current legislation, this activity is delegated by central government to local government. Whether or not this delegation is appropriate or the most efficient is less important than the fact that planning is as central to governance as taxation and expenditure.

As urban planning is a core function of government, or a designated governing authority, the structure of government must reflect responsibilities for effective planning, including the allocation of land for housing. That is, form must follow function.

Any consideration of new planning frameworks must therefore also take into consideration governance structures. We would expect that the Commission investigates whether a disjoint in existing governance form is at least partially responsible for dysfunction in, among other places, the release of land for housing. We would also expect that any significant changes to existing responsibilities for urban planning would be met with a robust discussion of what sort of governance structure could adequately support this planning and how it would align with other governing responsibilities.

Central to this work is an understanding of incentives and what drives governing bodies to make the right decisions for their communities and New Zealand. Much has been made in recent years, including by the Commission, of a potential disjoint between the needs of residents, communities and the country for housing and the incentive, or lack thereof, for local authorities to open land. We share the concern of others that councils are not properly incentivised to release land for housing because of the high cost of development which sits with local bodies.

II. Planning cannot be separated from funding

Land without infrastructure cannot be used for housing (or most other activities). Allocating and rezoning land alone is, therefore, insufficient to address land supply issues. Only when services are provided can land be truly made available for activities including housing. Resourcing for these services must therefore be linked to be the responsibility of planning authorities. How water, transport and social services, in particular, are funded is therefore a component of planning, not a separate activity.

The consequences of separating funding and planning can be seen in Auckland today. Special housing areas have been designated but progress delivering actual homes has been impeded by lack of access to critical services.

Meanwhile, other parts of Auckland have infrastructure in place, but there are no plans to leverage this infrastructure for housing, either because owners are holding onto land for capital gain (land banking) or simply have no interest in developing their property. The cost of holding onto serviced land while underutilised infrastructure deteriorates over time is not sufficiently allocated to the parties who share the benefits and costs of their decisions.

Planning, governance and funding are parts of the same activity

In sum, we urge the Commission to consider New Zealand's planning framework within the context of existing and potential governance and funding arrangements necessary to effect positive public outcomes.

Our thoughts on the best way to achieve this are set out in the attachment.

We encourage the Commission to be as comprehensive as possible in its evaluation of the structures, incentives and relationships necessary to delivering a fully functional planning framework.

We thank the Commission for this opportunity to provide feedback.