

8 June 2018

New Zealand Productivity Commission

Property Council New Zealand Submission: Productivity Commission Low-emissions economy draft report feedback on Chapter 15 – The built environment

Via email: info@productivity.govt.nz

1. Recommendations

1.1. Property Council New Zealand (“Property Council”) supports the draft report, recommendations and findings in relation to Chapter 15 – The built environment. We recommend:

- Regulation (including the Building Code) and urban planning should take a holistic approach to enable, not prescribe or restrict, alternative building materials and techniques.
- The planning system should facilitate and enable growth for different housing typologies to support different living preferences of New Zealanders. This could also include housing developments near key public transport routes to potentially reduce vehicle emissions. The current planning legislative framework does not facilitate this well and needs to be reviewed holistically to ensure better integration.

2. Introduction

- 2.1. Property Council is a member-led, not-for-profit organisation offering a collective voice for the commercial property industry. The property industry is currently the largest industry in New Zealand with a direct contribution to GDP of \$29.8 billion or 13 per cent. In a sense the property sector is a foundation of New Zealand’s economy and caters for growth by developing, building and owning the buildings that house businesses.
- 2.2. Our membership is broad and includes some of the largest commercial and residential property developers in New Zealand. These companies undertake a large-scale residential and commercial development projects, including large commercial buildings, industrial parks and retail precincts. Our members contribute to development of both greenfield and brownfield areas where people live, work and play across New Zealand.
- 2.3. Our submission focuses on Chapter 15 of the Productivity Commissions draft report on building emissions, urban planning policies and infrastructure. We are generally supportive of the draft report in relation to the built environment. We recognise that options to reduce emissions from the built environment are limited by the fact that most buildings and infrastructure are already in place.

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3. Emissions through the life-cycle of a building are complex to calculate and relatively low considering the longevity of a buildings life cycle when compared to other emissions

Emissions embodied through construction

- 3.1. Property Council recognises emissions are generated throughout the life-cycle of a building; from construction, current use, and eventual end of life. Buildings and infrastructure typically have longer life-cycles and lower emissions compared to life cycles of vehicles or other assets.
- 3.2. We agree that changes to the Building Code is not the best way to incentivise the use of low-emission materials. We suggest it's very difficult to accurately capture the full range of emissions in buildings. We note low--emissions materials are not always cost effective and they may not best support more innovative buildings to improve overall environmental performance.
- 3.3. We also support developers using materials that reduce their overall emissions. We suggest this decision should lie with the developer. Developers are in the best position to evaluate alternative building products and feasibility.
- 3.4. The draft report identifies raising the emission's price in New Zealand's Emissions Trading Scheme (ETS) to incentivise architects and engineers to design buildings that require fewer resources. We agree with that finding. It is important that the building system is considered holistically. For example, if architects and engineers are incentivised to design buildings with fewer or different materials and techniques they have got to be both readily available and affordable.
- 3.5. Regulatory restrictions on using alternative building products, methods or techniques may cause harm to the overall building system. Regulation should enable, not restrict, alternative building materials and techniques when possible. The 'performance-based' philosophy that is the foundation of New Zealand's current Building Code provides sufficient flexibility for designers and developers to make choices about how to meet the required performance standards. We do not support changes to the Building Code that would prescribe particular building material or practices.
- 3.6. Flexibility is important for developers. For example, there are trade offs that may need to be made between low-emissions and product cost, resilience of product (or building life-cycle), origin of product, and health and safety aspects to name a few.
- 3.7. Property Council supports the draft report's recommendation (*emphasis added*) that:

“Future reviews of the New Zealand Building Code should examine whether the Code is **sufficiently flexible** to enable practitioners to adopt building materials and techniques with low embodied emissions.”

Emissions generated from using buildings

- 3.8. The draft report states that commercial and residential sectors account for two per cent of New Zealand's emissions. Electricity is responsible for around 5 per cent of New Zealand's emissions. We note that with an already higher proportion of renewable energy generation emissions savings from energy efficiency in New Zealand are not as high as they are in other countries.
- 3.9. We agree that the best way to consider more stringent energy efficiency standards is through future reviews of the New Zealand Building Code. Such reviews provide the right opportunity to consider the costs and benefits in a holistic way (including non-climate costs and benefits).



- 3.10. We suggest further policy may be required before considering ways to improve emissions efficiency of the existing building stock. There is already a high regulatory burden on renovation of existing buildings (for example for seismic or fire performance). Adding additional requirements should be considered in this wider context to ensure they do not perversely create a barrier to improving the building stock by making renovation unviable. Measures such as voluntary initiatives or subsidies could be investigated. We suggest this should only be used for important health and safety building upgrades due to the cost on owners and tenants.

4. Urban form and emissions

- 4.1. We support Finding 15.2 – that overall there is not an overwhelmingly strong case to use urban planning policies to increase intensification to reduce emissions. This is because planning changes take many years to achieve. By then, reductions in vehicle emissions may have already been achieved through technological advances.
- 4.2. Property Council suggests the planning system should facilitate and enable growth in both brownfield and greenfield areas. Multi-growth areas are important because they give options to residential and commercial buyers (or renters). This could reduce house prices through increased competition. Intensification alone will not solve New Zealand’s housing problems nor reduce emissions.
- 4.3. However, we note that the Productivity Commission’s enquiry into Land for Housing (2015) identified numerous barriers to both building up and out. Our members note the minimum car parking requirements and the barrier they cause to intensification and new-build apartment living. Many buyers (and potential buyers) that live in the metropolitan area or near a key public transport route have no need for a car park.
- 4.4. Urban buyers tend to be young couples or elderly who do not own a car and use alternative transport modes such as walking, cycling or public transport. Urban planning rules are stringent and do not adapt to social changes quickly. We support flexible rules that account for the different living preferences of New Zealanders.
- 4.5. The draft report discusses the use of vehicle emissions and the need for good public transport systems. Urban planning that allows for different housing typologies types and further intensification near key transport routes is likely to reduce vehicle emissions.
- 4.6. The current planning system and its legislative framework (including the Resource Management Act, Local Government Act and Land Transport Management Act, as well as funding of local government) do not facilitate holistic planning outcomes. There is a need for the whole system to be reviewed rather than the current practice of piecemeal changes.

5. Construction of infrastructure

- 5.1. Property Council recognises as housing demand increases, so too does the pressure on existing (or new) core services and infrastructure. Councils’ planning decisions need to be holistic and take a whole system approach. Siloed planning and land development decision making, results in inappropriate outcomes and continues to hinder development and housing supply.
- 5.2. Although we support the draft report’s recommendation to use existing assets more efficiently, we also recognise that consistent under-investment in infrastructure shows a need for new infrastructure as well. Because of the focus on reducing infrastructure emissions through effective use of existing assets, we suggest practicalities of meeting increasing housing demand



have not been fully considered. We suggest pressure from increases in housing are also putting pressures on existing infrastructure.

- 5.3. To help relieve that pressure there will continue to be a need for new infrastructure (at least in the short to medium term). We also recognise the pressures that local government are currently facing. Our members are happy to work with the Productivity Commission on your inquiry into alternative funding mechanisms for local government.

6. Conclusion

- 6.1. Property Council supports the Productivity Commission's draft report Chapter 15 findings and recommendations suggesting that the planning system remain flexible for alternative building products, methods and technologies.
- 6.2. We see the planning system as key to facilitating and enabling growth. However, with growth, comes the need for further investment in infrastructure. We are interested in being involved as a key stakeholder in the Productivity Commission's inquiry into alternative funding mechanisms for local government.
- 6.3. Property Council thanks the Productivity Commission for the opportunity to submit on the draft report into the low-emissions economy.
- 6.4. Any further queries do not hesitate to contact Katherine Wilson, Senior Advocacy Advisor, email: katherine@propertynz.co.nz or cell (027) 8708-150.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Matt Paterson', with a long horizontal flourish extending to the right.

Matt Paterson
Head of Advocacy
Property Council New Zealand