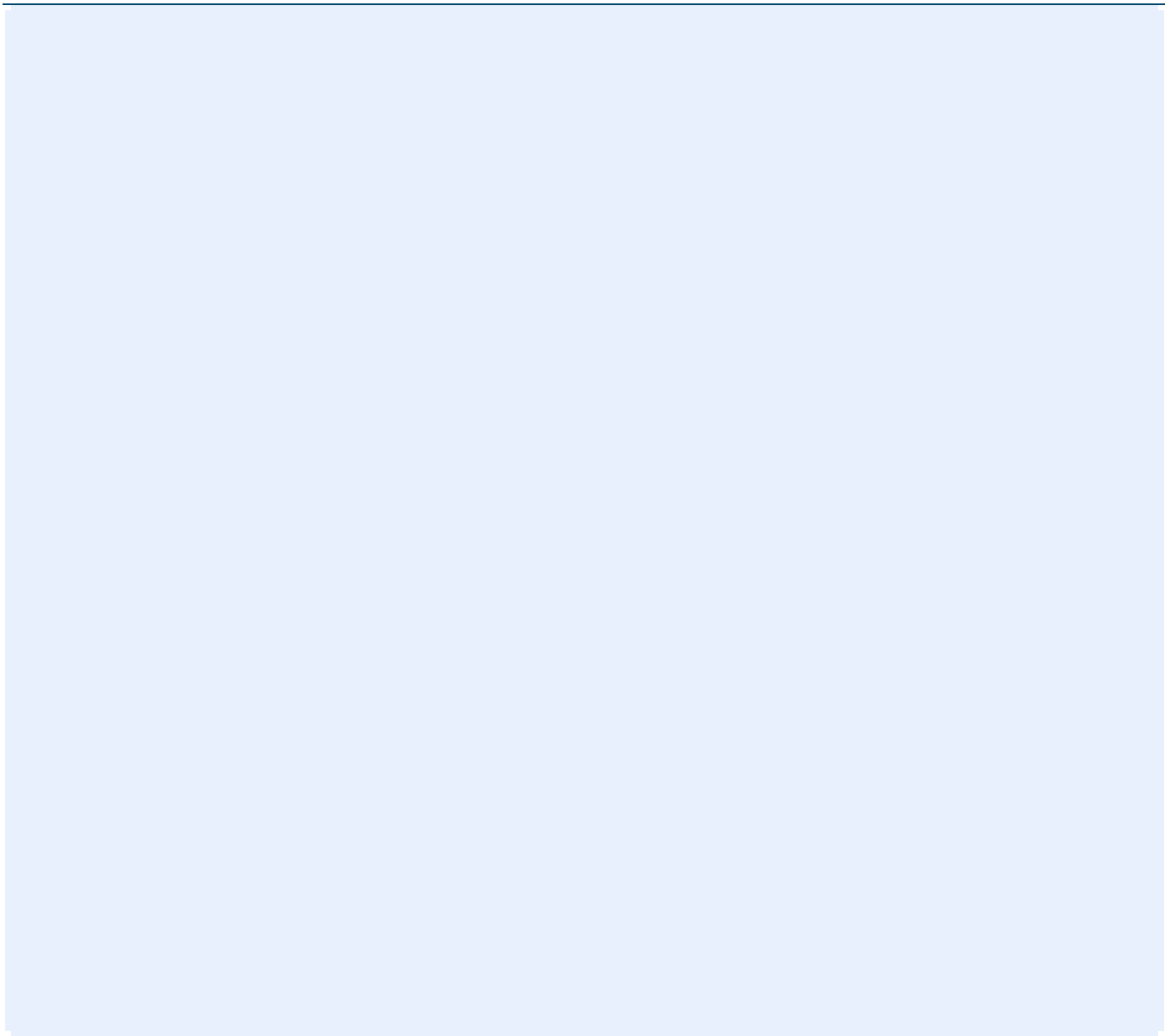

Using land for housing

NZ Transport Agency

29 January 2015

FINAL

NZ Transport Agency submission on the Productivity Commission's Issues Paper
'Using land for housing'



1. Introduction

The NZ Transport Agency's (the Agency) submission draws on the Agency's experience as a manager and developer of, and investor in, transport infrastructure to help identify potential opportunities to improve the NZ planning and development process. The purpose of the Agency's submission is to assist the aim of the Productivity Commission's Review to ensure there is sufficient land for housing as a means of contributing to improved housing affordability.

The Agency is encouraged by the Productivity Commission's recognition of the need to consider both the supply of land within existing urban areas, and well as the release of new 'Greenfield' land on the urban periphery. With this in mind the Agency considers that the report should, where possible, refer to 'development capacity' rather than 'land supply' as the latter tends to infer the release of new Greenfield land.

This submission is not a comprehensive review of the Issues Paper and does not attempt to respond to each of the Paper's questions. It seeks to provide an overview of the Agency's transport planning and investment approach, identifies key issues from a transport perspective, and provides thoughts to resolve them.

The Agency's submission is structured as follows:

1. Introduction.
2. Executive summary.
3. The Agency's interest in housing affordability and land supply.
4. Thoughts for improvement:
 - 4.1 Effective integration of land use and transport.
 - 4.2 Building good communities.
 - 4.3 Enabling intensification.
 - 4.4 The importance of strong relationships.
 - 4.5 Funding alternatives.
5. Additional Information.
 - Appendix 1 – Summary of the integration of the Agency's Investment Assessment Framework with its Business Case Approach.
 - Appendix 2 - The Agency's experience with the Housing Accords and Special Housing Areas Act and greater Christchurch planning.

2. Executive Summary

The Agency does not have a strong interest in housing affordability per se. However, the Agency recognises the need to provide sufficient land supply (development capacity) to support economic growth and deliver social outcomes for New Zealand.

The Agency has a very strong interest in issues around land supply, and particularly the planning and provision of transport infrastructure needed to support urban growth. This is because:

- The Agency's purpose is creating transport solutions for a thriving New Zealand. These solutions contribute to New Zealand's social, cultural and economic well-being.
- The Agency is an infrastructure provider and a co investor in local roads. Unlike some other forms of infrastructure, the location of transport infrastructure largely determines an area's development pattern (including connectivity and accessibility).
- New transport infrastructure is costly and has long lead times. Getting it right first time is critical as retrofitting new transport infrastructure into existing urban areas is even more costly.
- In order to deliver transport solutions it is important that land use planning is integrated with transport planning and investment. This achieves greater value for money and optimisation of resources and investment.
- To achieve this we need to plan growth to optimise existing capacity on the transport network, which often means development is firstly focused in existing urban areas. Growth in Green field areas should be planned and subject to land release strategies that provide certainty around the timing, location and scale of new infrastructure. To help manage transport demand, large new green field areas should be mixed use and enable people to work, live and play in the same area rather than having to travel long distances. Access to a range of transport options (including public transport) should also be enabled.

From the Agency's perspective – the key message to the Productivity Commission is that efforts to increase the supply of land to support more affordable housing should not be at the expense of effective integrated planning to align development with infrastructure provision. In this regard the Agency views integrated planning (reflected in the approach many growth strategies take) as positive in their contribution to optimise its investment on behalf of government, provide long term investment certainty, deliver economic growth and social well-being, and also plan the delivery of sufficient development capacity e.g. 10 years future supply. Notwithstanding this, the Agency also recognises that the delivery of sufficient development capacity may also require additional funding provision beyond that currently available e.g. the National Land Transport Fund.

More specific thoughts around options to improve the supply of land for housing include:

- More effective integration of land use and transport – options include placing provisions in the LGA for statutory growth planning similar to the Auckland Plan under the Local Government (Auckland Council) Act 2009 (LGACA) and aligning growth planning to the 30 year Infrastructure Strategies required by the recent Local Government Act Amendments, particularly if they have a spatial element to ensure phasing of development over time.
- Building good communities – options include ensuring large scale growth could be guided by a high level, strategic growth vision to guide individual developments e.g. requirement for master or structure plans to be developed.
- Better enabling intensification – options include development of RMA guidance and model plan provisions that incentivise intense mixed use development, particularly within urban areas.

- The critical importance of relationships - to establish trust, a common understanding, and build commitment, which is particularly important for bridging the gap between the statutes and embedding a growth strategy into downstream statutory plans.
- Funding alternatives - The Agency is aware of work by government and councils on potential alternative funding options and would like to work closely on funding alternatives with the Productivity Commission throughout the Review period.

The intent is that the matters raised in this submission will be further assessed by working closely with the Productivity Commission throughout the Review's process.

3. The Agency's interest and experience in housing affordability and land supply

While the affordability of housing is not part of the Agency's core business, we do have a strong interest in issues around land supply, and the transport infrastructure required to support urban growth. Land-use and transport are fundamentally linked, with transport facilitating the movement of people and goods that enables the interactions and transactions that support our communities and the economy. How land is released for urban development will influence the Agency's ability to optimise its investment from the National Land Transport Fund (NLTF) and deliver a safe, accessible and efficient transport system that provides for New Zealand's social, cultural and economic well-being.

In its role as the Government's investor in the transport system (including co-investor with local government in local roads, walking and cycling, and public transport) and as the manager of the state highway network, the Agency:

- manages \$10b of transport investment every three years under the direction of the Government Policy Statement on Land Transport (GPS).
- works with 78 councils to influence their land use and transport investment decisions.
- manages 11,000km of state highway.

Why we are interested in planning, especially integrated planning

The Agency has a vision or overall goal of providing "Transport solutions for a thriving New Zealand". To deliver on this goal the Agency strongly supports the integrated planning and delivery of land-use and infrastructure in order to optimise network efficiency, enhance value for money¹, and maximise transport benefits.

Strategic growth planning is critical to help align and co-ordinate the delivery of infrastructure with land development, and to ensure that infrastructure is able to appropriately cater for the increased demand that comes with growth. It is therefore not possible to undertake planning for transport in isolation. Rather, the Agency engages in planning processes at national, regional and local levels, working in partnership with other investors such as councils and the private sector, to define and achieve shared goals.

The Agency works with central, regional and local government, private developers and other partners to **bring together land use planning, transport planning and investment** to deliver a transport system that supports a thriving New Zealand. This is critical to:

¹ Value for money is defined as "Selecting the right things to do, implementing them in the right way, at the right time and for the right price"

- Shape land use patterns and transport demand to improve transport choices and get better transport outcomes for communities.
- Protect the benefits of existing and planned investment in transport.
- Optimise the use of existing and planned investment in transport.
- Optimise and enable future investment in transport.

When engaging in the planning process the Agency seeks to achieve investment certainty by agreeing a long term and coordinated approach to land release and the provision of supporting infrastructure.

One example of where the Agency works with local authorities to ensure land release and infrastructure provision are efficiently staged is our work around Hamilton as part of the Future Proof Growth Strategy². The Agency worked with local authorities to allocate projected population growth and industrial land demand into identified growth nodes around Hamilton. As part of that work the Agency strove to ensure that growth was allocated to the west of the Waikato Expressway route but not to the East (at least for the next 30 years). Experience in Auckland informed the Agency that if urbanisation was to occur on both sides of the expressway it would need to develop a substantially different design for the expressway in order to protect its function as an inter-regional freight route. The cost escalations necessary to provide safe merging opportunities for local traffic and extra capacity resulting from growth to the east, would have negatively affected the viability of the project and potentially called into question its construction.

Instead the Future Proof Growth Strategy allocates 30 years of housing supply around Hamilton to Ruakura, Rototuna, Rotokauri and Peacockes nodes (as well as creating an enabling environment for brownfields intensification). The Strategy also forecasts when infrastructure to support release of these nodes would be required based on population projections and land development rates around Hamilton. The District Plan is now in the process of being amended to establish zoning and staging – and the Agency has supported these provisions through the statutory planning process.

Agency Investment Decision Making

It is also important to note that the National Land Transport Fund (NLTF) is a finite funding source and therefore the Agency needs to demonstrate value for money while also giving effect to the government of the day's Government Policy Statement on Land Transport (GPS). The current GPS priorities for investment include support for economic development and road safety. A change of direction to focus investment on the release of affordable land would likely result in a different investment portfolio, while recognising the need for the Agency to meet its Land Transport Management Act (LTMA) obligations and be satisfied that such investments are safe and efficient.

The Agency's approach to managing potential conflict between different issues and objectives is the adoption of the Business Case Approach (BCA) to ensure that the Agency is focussing on the right issues and problems. The BCA is modelled on the Better Business Case process adopted by Treasury, and modified to integrate with the way in which transport planning occurs in New Zealand under the LTMA, Local Government Act and Resource Management Act. The BCA is a structured process which actively takes decision makers from problem identification and potential benefit quantification, through to the identification of detailed assessment of options. Cost benefit appraisal forms a component of most of these steps. The process for more complex transport issues, involving complex planning or engineering issues and large scale interventions, can take a number of years. As the process progresses and the risks

² Refer FutureProof - <http://www.futureproof.org.nz/page/5-Home>

and potential benefits become more certain the Cost Benefit Appraisal becomes more accurate and carries more weight in decision making. The Agency is happy to discuss its investment decision making approach³ and the BCA in more detail with the Productivity Commission. Appendix 1 provides a summary of the integration of the Agency's Investment Assessment Framework with its Business Case Approach.

Opportunity costs

If the Agency was unable to optimise the value of its investment (as it currently seeks to do) there are a number of potential impacts. For example, if the Agency was required to invest in areas where it would otherwise not invest there are a number of potential opportunity costs that could include:

- A corresponding reduction in investment in other activity areas e.g. maintenance, which could result in lowered levels of service and a decline in quality of parts of the network (comprising the State highway and local roads). This could increase risks in outcomes such as road safety and sub-optimal use of parts of the network and services e.g. public transport.
- Delay in the delivery of other higher priority transport projects that could yield greater benefits to the wider community (and New Zealand).
- Reduced ability to enhance contribution to economic growth e.g. reduced investment in improving freight network performance.
- Reduced network performance including resiliency e.g. increasing congestion due to lack of investment to optimise network capacity or alternatively, existing capacity in the network is not being utilised, plus reduced ability to improve road safety.
- Increases in current road user charges (RUC) and fuel excise duty (FED) – which would also have broader macro-economic impacts.

Agency experience in council planning processes

The Agency has been involved in a number of development/growth planning processes that we don't believe have constrained land supply unduly but have delivered good integrated planning and investment. Some examples include the Greater Christchurch Urban Development Strategy (UDS)⁴, SmartGrowth⁵ (greater Tauranga) and FutureProof (greater Hamilton), and the Agency is happy to discuss these in detail with the Productivity Commission throughout the Review process. The key challenge for these integrated planning exercises is that the statutory planning processes can hinder agile responses to changing market demands – such as bringing forward the release of land to respond to higher than predicted demands or delays in bringing land to market due to land banking behaviour by developers.

Appendix 2 provides an overview of the Agency's experience with the Housing Accords and Special Housing Areas Act (HASHA) and greater Christchurch planning and is happy to also work with the Productivity Commission to provide further detail. Appendix 2 contains:

- An overview of the Agency's experience with implementation of the HASHA.

³ Refer NZ Transport Agency Knowledge Base - <https://www.pikb.co.nz/home/nzta-investment-policy/2015-18-nltp-investment-assessment-framework-overview/>

⁴ Refer Greater Christchurch Urban Development Strategy <http://www.greaterchristchurch.org.nz/index.aspx>

⁵ Refer SmartGrowth - <http://www.smartgrowthbop.org.nz/PicsHotel/SmartGrowth/CustomPages/normalPres.aspx?ID=4868>

- The assessment of Tauriko as a potential Special Housing Area under the HASHA and its impact on existing and future transport investment.
- The Agency's experience with greater Christchurch planning.

4. Thoughts for Improvement

The Agency believes there are strong potential synergies and opportunities to deliver more affordable housing by working with other agencies (Councils/ Developers/ Government) to ensure we can provide good integration (both through planning and funding) of infrastructure provision. In this respect the Agency views integrated planning via growth strategies can also play an important role in identifying forward development capacity and that additional funding may be required to enable infrastructure provision to meet forward supply need.

The Productivity Commission's paper defines Brownfield land (as a land source) as converted land that was previously used for industrial or commercial purposes to housing. We think that this definition should also include land used for residential purposes that provide opportunities for redevelopment (i.e. areas with small dwellings on large lots that provide opportunities to amalgamate sections to create larger development areas).

On the issue of what constitutes 'available land' or 'development capacity' the Agency is also unclear as to what constitutes 'shovel ready'. This is particularly important in the event that Councils are required to demonstrate sufficient development capacity for a certain period (i.e. 10 years). If 'shovel ready' constitutes fully serviced land ready to build then this could lead to inefficient investment patterns where infrastructure providers are required to commit substantial up-front investment into core infrastructure capacity that may not be required for 10 years (or longer if market conditions change). In the constrained funding environment under the NLTF, this is money that could well yield greater benefits if invested elsewhere in higher priority transport projects.

Further discussion is required around what level of supply should be "shovel-ready", vs. "ready-to-consent" vs. "ready-to-rezone" vs. "ready-to-undertake-strategic-analysis-of" etc, in order to strike an appropriate balance between making land available and the efficient provision of infrastructure.

Noting the comments above on 'shovel ready', the Agency takes the wider view that development capacity (land supply) cannot be 'supplied' until it has infrastructure and 'is in' the market i.e. beyond shovel ready (depending on how shovel ready' is defined). Moreover, because land has been zoned or has infrastructure provided does not mean that it will be quickly supplied to the market.

There is also anecdotal evidence which would suggest there are failures with the market which prevent housing coming to the market as follows:

- land banking is an issue where developers may drip-feed zoned land on to the market to maximise the value of new sections
- some Special Housing Areas (SHAs), once gazetted, are being on-sold based on the value add of being an SHA. The Agency is not aware of any levers or incentives contained within the Housing Accord and Special Housing Areas Act (2013) to ensure SHAs are quickly brought to the market.
- relationships between multiple landowners may mean that development is held up by disputes on financing, sequencing of development or infrastructure provision.

The Agency would support the Productivity Commission to investigate mechanisms to help ensure that 'development capacity' provided for through the planning process will be quickly brought to the market. For example, is there potential to structure price signals (including development contributions) to encourage early development?

The Productivity Commission's discussion document canvasses a wide range of factors influencing the supply of land, with a view to identifying options to support the provision of more affordable housing. The Agency has identified five key issues that, from its perspective, are important to consider when looking at the use of land for housing. These are

- Effective integration of land use and transport.
- Building good communities.
- Enabling intensification.
- The importance of strong relationships.
- Funding alternatives.

Each of these issues is discussed in more detail below.

4.1. Effective integration of land use and transport

Housing affordability is most acute in those areas of the country that are experiencing sustained population growth, and in particular the major urban areas. For the most part, these areas of the country already have some form of strategic growth planning, usually with a 30–40 year planning horizon. Examples include SmartGrowth (greater Tauranga), FutureProof (greater Hamilton), Urban Development Strategy (greater Christchurch) and The Auckland Plan⁶ (Auckland).

The Agency has invested significant time and resources in the development and implementation of these growth strategies because of the benefits in terms of gaining certainty around the form of future development, and the timing and location of new transport infrastructure needed to support that growth. The Agency sees considerable merit in these growth strategies, both in terms of providing a vision for enabling future growth and as a means for fostering strong relationships between the key stakeholders involved in the development process.

However the process is not perfect as there can be significant effort, cost and churn involved in translating non-statutory growth strategies into the statutory 'implementation' documents prepared under the Local Government Act (Long Term Plans, Annual Plans), Resource Management Act (Regional Policy Statements, Regional and District Plans) and Land Transport Management Act (Regional Land Transport Plans).

Growth strategies - shared evidence base and transport modelling

A key element in developing a robust growth strategy is to ensure that they are based on a realistic, agreed evidence base (especially around growth projections), and use sound assumptions where required. The Agency's overall expectations for good growth or infrastructure strategies are that they are based on robust assumptions and data with respect to changes in supply and demand (both of land and transport capacity) over time and accurately incorporate travel behaviour patterns.

The Agency works closely with Council's in the major growth areas to develop transport models to help predict the likely increases in transport demand resulting from projected population increases. From the 1950's to the end of the last

⁶ Refer The Auckland Plan - <http://www.aucklandcouncil.govt.nz/EN/planspoliciesprojects/plansstrategies/theaucklandplan/Pages/theaucklandplan.aspx>

century, population growth and economic growth (and to a lesser extent employment rates) were acknowledged as the key drivers of transport demand, with demand expected to increase in line with population and economic growth. Since 2004 New Zealand (along with many developed countries) has experienced a softening and even reduction in transport demand per capita (measured as vehicle kilometres travelled per person). The exact cause of this softening is not fully understood, but would appear to be influenced by the economic slowdown following the global financial crisis, fuel price, the rise of mobile technology and social media, changing work and retail patterns, changing attitudes to travel by younger generations, and an aging and increasingly urban population, amongst other things. Increasing variation between trends in rural and urban areas, and between regions is also becoming apparent. As yet it is not known whether the trends of the last decade represent the new norm, or whether they will prove to be a temporary anomaly, making modelling future transport demand increasingly challenging.

Accordingly the Agency recognises that modelling future demand has become increasingly uncertain. This means the Agency will continue to work closely with councils to ensure modelling takes account of these more recent demand shifts.

Maintaining commitment to agreed growth strategies

Nationally, most major metropolitan growth areas have long term growth plans to guide their development. However, with the exception of the Auckland Plan all the growth strategies are non-statutory documents (usually prepared under the Local Government Act special consultative processes). The Agency notes that there are challenges around maintaining commitment to the strategies over time, and embedding the growth strategies into statutory plans, particularly Resource Management Act policy statements and plans. For example, the litigious process of the RMA can mean that while significant resources and costs are expended, the resulting plan may not align with the growth strategy. On occasion the Agency has spent significant time and resources appealing plan changes which don't align with the growth strategy that the Agency has used as the basis for past, current and future investment planning.

The Auckland Plan is currently the only statutorily prescribed growth strategy in New Zealand, being required under the provisions of the Local Government Auckland Council Act 2009 (LGACA). While the LGACA does not require plans prepared under other legislation to 'give effect' to the Auckland Plan, early indications through the Auckland Unitary Plan process are that the Auckland Plan is subject to less challenge than some other growth strategies. However it is noted that the Unitary Plan hearings are still in their early stages and issues around land zoning and the location of the Rural Urban Boundary are yet to be heard.

The Transport Agency considers that consideration should be given to an option of broadening the application of the LGACA to enabling other areas (or sub-regions) to also prepare statutory growth strategies where these would assist the effective management of growth. These provisions would complement the new requirement under the LGA for Council's to prepare a 30 year infrastructure strategy (discussed below). There is also merit in considering the options for enabling a streamlined RMA plan making process (potentially similar to those applied to the development of the Auckland Unitary Plan, or the current review of the Christchurch District Plan) to enable an agreed 'statutory' growth strategy to be efficiently incorporated into the appropriate statutory planning documents.

30-year infrastructure strategies

The recent changes to the Local Government Act 2002 to require local authorities to develop 30-year infrastructure strategies appear to present opportunities to embed growth planning and better enable the alignment of land use and infrastructure.

Strategies which are soundly based could provide benefits for the long-term planning and co-ordination of infrastructure, and allow the Agency to better understand likely future investment demands on the National Land Transport Fund (NLTF). Infrastructure Strategies will better inform the Agency's understanding and consideration of the key issues likely to arise from the infrastructure strategies led by Council and will inform their development and subsequently inform Agency risk management.

Given that infrastructure strategies are a statutory requirement of the Local Government Act, and part of the preparation and adoption of local authorities' long term plans, they should require local authorities to be more deliberate in planning for growth and identifying the longer term infrastructure investment required. The 30-year infrastructure strategies could provide opportunities to the Agency (and other infrastructure providers) such as:

- Improved alignment of population and demand projections and revenue/investment expectations across local authorities.
- Better understanding of expected long-term local authority co-investment requirements from the NLTF.
- Opportunities to improve infrastructure provision.
- Greater confidence in the timing and location of infrastructure investment over the longer term. The Agency could expect to see a prioritisation of investments on an area-based approach, reflecting the constrained finances of many local authorities.
- Opportunities to seek sound evidence and optimisation of investment through the development of the infrastructure strategies. This includes clearer links to land use changes and the identification of any gaps. This will be very useful for local authority areas which do not have growth or spatial plans.

The Agency considers that there is an opportunity to build on the 30 year infrastructure strategies approach, in tandem with targeted application of statutory growth strategies, to more effectively integrate urban growth and infrastructure. This would help to ensure the efficient provision of infrastructure to support anticipated growth, helping to contribute to the cost-effective development of land and the supply of more affordable housing.

Criteria for land appropriate for urban development

The effects based philosophy of the RMA presents challenges in delivering cost effective transport solutions. This is because the 'effects based' planning system that allows (almost) any activity to be applied for in any location. Strategic delivery of infrastructure is difficult when 'out of zone' development, resulting from decisions on consents and private plan changes, can significantly impact on existing patterns of transport demand and require additional investment to be made. A weakness of many planning documents (particularly first generation RMA plans) is that they do not clearly stipulate the criteria used to determine when land is suitable for future urban development. Rather they rely on creating zones with supporting policies that direct activities to the appropriate zone. This approach provides little guidance in the event that a request is lodged to enable urban development to occur out of zone, leading to a messy, inefficient decision making process. A better approach could be for all plans to clearly state the assessment matters and criteria that will be considered when reviewing an application for out of zone development, in order to provide a robust decision making framework. The Waikato Regional Policy Statement contains a good example of this approach.

Thoughts for improvement

Some thoughts on ensuring effective growth planning (and particularly the integration of land use and transport) include:

- Provisions for statutory growth planning similar to the Auckland Plan prepared under the LGACA.
- Aligning growth planning to the required 30 year Infrastructure Strategies in the recent Local Government Act Amendments, particularly if they have a spatial planning element to ensure phasing of development over time.
- Enabling a streamlined Resource Management Act (RMA) process to aid the implementation of 'statutory' growth strategies.
- Develop an agreed and shared evidence base on growth demand, timing and sequencing required to maintain development capacity (land supply) – between central and local government, and key infrastructure providers.
- Develop national guidance on an agreed position on spatial/growth planning/integrated land use and infrastructure planning through instruments such as a National Policy Statement, National Environmental Standard or by a national template approach.
- Identify criteria in RMA plans to ensure clarity for when land is suitable for urban development. This approach has been used in the Waikato Regional Policy Statement⁷.

4.2 Building Good Communities

Overall, the Agency believes that housing affordability and the provision of development capacity (land supply) should not come at the expense of quality urban form. The discussion document notes that New Zealand households are becoming more varied as a result of demographic changes and the cultural make-up of communities. Delivering housing choice (with a variety of sizes and housing typologies) within existing and new communities must therefore be a key component of improving housing affordability.

The Agency supports accommodating growth within both existing urban areas and in new green field areas. Locating growth in existing urban areas (particularly in centres and along identified growth corridors) can help support a range of transport options (including public transport, walking and cycling), and helps to manage transport demand by reducing the need to travel in order to access jobs, goods and services. Accommodating growth within existing urban areas also enables efficient use of existing transport infrastructure, and spreads the cost of any further investment required to increase capacity or provide for alternate travel modes.

Within Greenfield areas the Agency considers that it is critically important that the release of land for development enables the delivery of positive transport outcomes. This means:

- Ensuring that as far as possible new Greenfield communities are relatively self-sufficient in terms of employment, services, facilities and public amenities, in order to reduce the need to travel long distance by private vehicles to access these. Achieving self-sufficiency becomes more critical for larger development areas, where existing transport infrastructure is already at or near capacity, and where existing centres and employment areas are a significant distance away. It is less critical for relatively minor extensions on the urban fringe where spare capacity existing in the transport system, and travel distances to access jobs, goods and services are relatively modest.
- Ensuring that the high level urban form (including activity mix), street layout, and block patterns in new developments enable a wide range of viable transport modes, including public transport, walking and cycling.

⁷ Waikato Regional Policy Statement <http://www.waikatoregion.govt.nz/Council/Policy-and-plans/Regional-Policy-Statement/>

In order to deliver these outcomes in Greenfield areas, it is important that there is an agreed high level strategic growth vision to guide individual developments. Again this becomes more critical the larger the overall development area. An example is the proposed southern growth area identified in the Auckland Unitary Plan (located within the southern Rural Urban Boundary or RUB), which is proposed to accommodate urban growth roughly equivalent to Tauranga City. To be successful this growth area will need to be based on a high level vision that indicates the location of key movement corridors, the location of centres, major public institutions, employment areas, open spaces, as well as areas of housing. The Agency does not consider that the necessary level of integration will be achieved if this area is developed as a series of individual development sites.

Thoughts for improvement

- For large scale growth we believe there could be an emphasis on the need for a high level, strategic growth vision that will also guide individual developments. Examples could be the requirement for master plans or structure plans developed by local government in conjunction with key stakeholders.

4.3 Enabling Intensification

As discussed above the Agency supports the principal of urban intensification as a means of making efficient use of existing transport infrastructure. While most RMA plans endorse some degree of residential intensification, many plans contain provisions that can act as disincentives to achieving this aim. These include provisions such as requiring a minimum area of land per dwelling (irrespective of dwelling size), open space requirements per dwelling, car parking rules and restrictions on converting existing houses into flats. As a consequence, plans may support intensification at a policy level, but the subsequent plan provisions can undermine achievement of this outcome by creating barriers to intensification and making other forms of residential development comparatively more attractive.

Although the question of how residential intensification occurs is not the Agency's primary concern, the Agency does seek confidence (as an investor) that when an agreed growth strategy includes provision for residential intensification to accommodate growth, that that intensification can be delivered in practice. The Agency would therefore generally support initiatives that help to remove barriers to quality urban intensification such as RMA planning guidance around enabling intensification, or initiatives that would enable land aggregation to support intensification in areas with fragmented patterns of land ownership.

Thoughts for improvement

Some thoughts to enable intensification include:

- Development of RMA guidance and model plan provisions - that incentivise more intense mixed use development, particularly within urban areas, and which highlight planning provisions that can inadvertently discourage more intensive forms of urban housing. This may also incorporate an appropriate balance on provisions around urban design.
- Land aggregation - Land fragmentation can be a barrier to cost effective, quality development in urban areas (not just brownfield) and the Agency would support initiatives that help facilitate urban intensification in these areas. One example could be establishing an appropriate public body or entity that can aggregate multiple parcels of land to undertake desirable urban redevelopment.

4.4 The importance of strong relationships

The Agency places primary importance on its relationships with councils and other partners. This is particularly important for bridging the gap between the statutes and embedding a growth strategy into downstream statutory plans. The Agency has noted that the relationships and trust built up over years of involvement in non-statutory growth strategies has proven critical in recent initiatives to bring forward the release of land for urban development, either as Special Housing Areas or as part of the Canterbury earthquake recovery.

One example of the importance of the Agency's relationships is the Greater Christchurch Urban Development Strategy (UDS). The Agency was invited as part of the Greater Christchurch Urban Development Strategy in 2003. The reason for its involvement was two-fold. First, so it could understand and collaborate with the District and Regional Councils to understand the long term transport needs and second, to influence the location and sequencing of development over a (then) 35 year planning period to better align with its investment objectives. The Agency's involvement as a partner to the Strategy provided the opportunity to strengthen council relationships and develop a long term development plan to assist it achieve long term planning and investment certainty.

Despite the Christchurch earthquakes resulting in changing patterns of growth, the Strategy Partners had established the relationships, and provided a 'fit for purpose' collaborative staff and governance structure, to effectively and efficiently respond to changing circumstances.

Notwithstanding the above, as highlighted earlier in this submission, there can be challenges in maintaining relationships over time due to factors such as ongoing support over political cycles or insufficient support from all required growth partners e.g. councils and/or infrastructure providers. One example of a mechanism to enable a long term committed relationship is the Greater Christchurch Transport Statement (2012). The Statement contains a statement of intent that key transport providers will work together to deliver a seamless transport system over greater Christchurch, achieved through factors such as integrated decision making on transport and land use.

A key message from our planning experience with greater Christchurch is that growth planning provides the basis for developing ongoing strong council relationships and ensures longer term planning can guide optimal investment choices.

Thoughts for improvement

- Identify opportunities to develop agreements between government, councils and key infrastructure providers to commit to development and implementation of growth planning. This could include the delivery of sufficient future development capacity (and affordable housing).

4.5 Funding Alternatives

The Agency is aware of government and councils' work on potential alternative funding options, including for transport e.g. Auckland Council and the Bay of Plenty. Funding options captured in discussions can include charging on existing roads, tolls on new roads, targeted rates, Crown contributions and tax increment funding.

There is continuing pressure on the NLTF with recent and future increases by Government to the FED. The increasing fuel efficiency of the vehicle fleet, and ongoing trends of reducing vehicle kilometres travelled per capita, mean that pressure on the NLTF is ongoing. Evidence reveals that there is a trend with commuters moving from private vehicles to

other modes including public transport e.g. the generation Y effect. This reflects an international trend and the subject of a lot of research.

From the Agency's perspective the increased delivery of development capacity (land supply) is likely to place more pressure on the finite NLTF. Alternative funding mechanisms will need to be identified should development capacity increase the need for additional transport investment.

The Agency's planning and investment principles (set out in its Planning and Investment Knowledge Base⁸) guide planning and investment decisions with our partners, particularly councils. They provide a foundation for the Agency and its partners to work toward developing transport solutions that give effect to the outcomes sought under the Government Policy Statement on Land Transport.

Two principles in particular guide the Agency's decisions around investment:

- They must be affordable and achieve value for money e.g. aim to allocate funds that will deliver the right outcomes, at the right time and at the right cost.
- Those who benefit from transport investment should pay e.g. the Agency's investments are intended to benefit land transport system users that provide the revenue into the National Land Transport Fund.

In current legislative settings the only alternative to increase revenue to support provision of additional transport infrastructure would be to increase RUC and FED. However, FED and RUC are mechanisms that spread costs across all road users, and do not supply strong beneficiary pays incentives. The Agency would question the 'appropriateness' and 'fairness' to increase FED and/or RUC on the basis that this would effectively 'subsidise' infrastructure development to meet housing needs. If a developer wants to accelerate or develop an area in a growth plan it is appropriate that they pay some of the upfront costs. This is a public verses private good benefit argument.

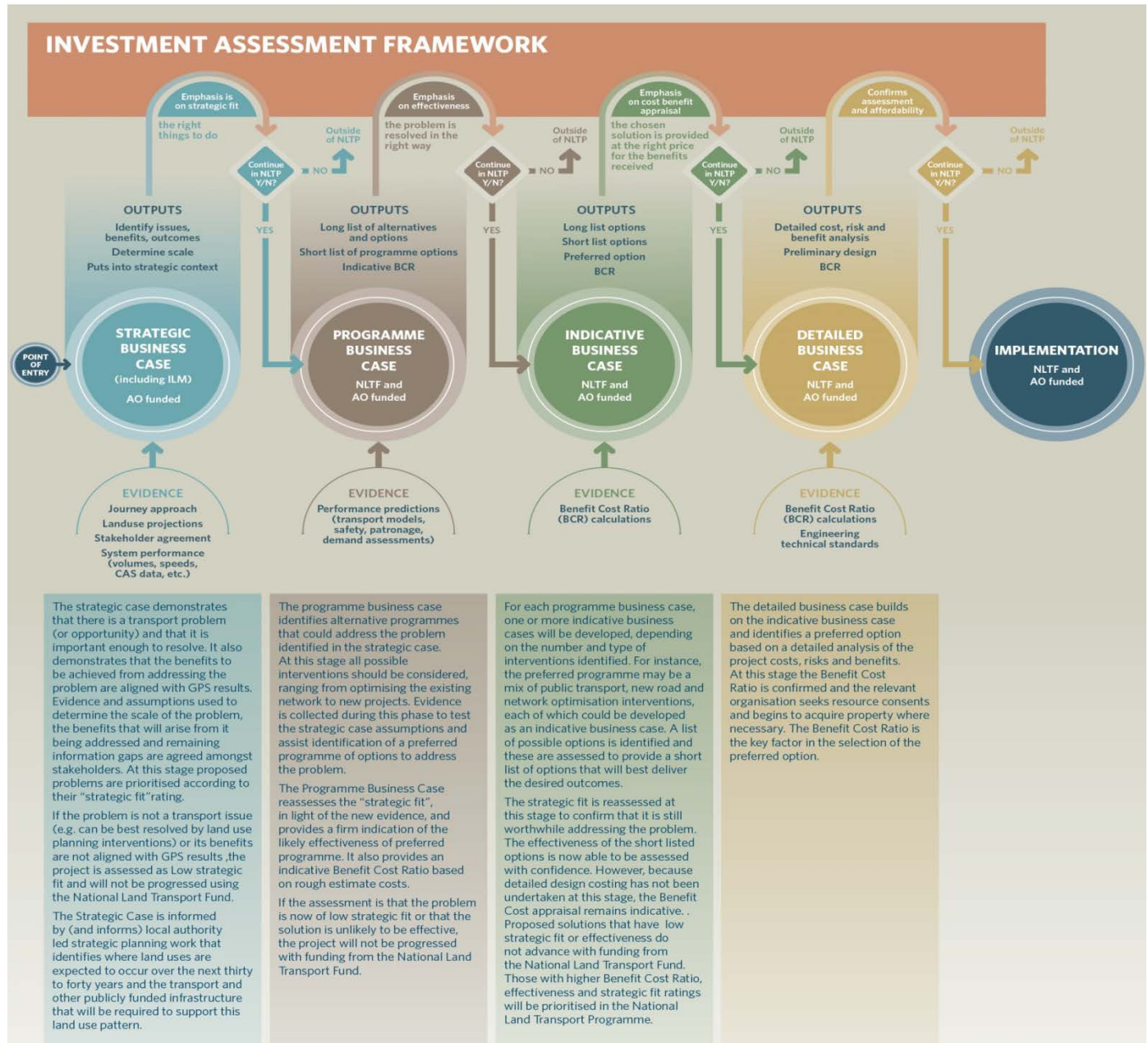
Overall, the Agency would like to further discuss work and analysis on funding alternatives with the Productivity Commission throughout the Review period.

⁸ NZ Transport Agency Planning and Investment Knowledge Base - <https://www.pikb.co.nz/home/the-way-we-work/nzta-planning-and-investment-principles/nzta-planning-and-investment-principles-overview/>

NZ Transport Agency

Integration of the Investment Assessment Framework with the Business Case Approach

Investment decision-making process



Transport Agency participation in planning processes

This provides an overview of the Agency's experience with the Housing Accords and Special Housing Areas Act (HASHA) and greater Christchurch planning. The Agency is happy to also work with the Productivity Commission to provide further detail. The examples cover:

- An overview of the Agency's experience with implementation of the HASHA.
- The assessment of Tauriko as a potential Special Housing Area under the HASHA and its impact on existing and future transport investment.
- The Agency's experience with greater Christchurch planning.

NZ Transport Agency Experience with Housing Accords and the Special Housing Areas Act

The NZ Transport Agency maintains a close relationship with councils identified in Schedule 1 of the Housing Accords and Special Housing Areas Act. Schedule 1 councils include Auckland Council, Christchurch City Council, Tauranga City Councils and Wellington City Council. The following is a summarised outline of the Agency's experience to date:

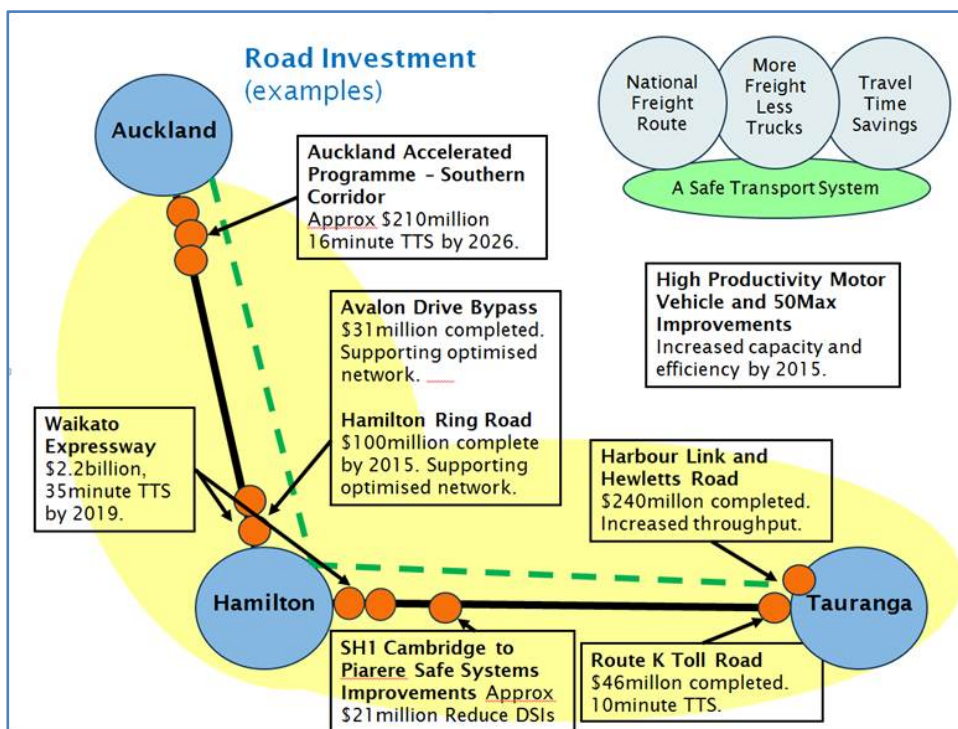
- The primary challenge for the Agency has been managing the integration of growth planning with short term and unplanned development.
- A main risk to the Agency is that Special Housing Areas (SHAs) development may be un-phased and ad-hoc which would cumulatively add to the current programmed investment and adds pressure on the NLTF. The Agency works closely with councils on this.
- From a regional and national context SHAs identification brings a 'wave' of Agency planning and investment work forward which places greater pressure on staff resource and limited funding. Identifying and resourcing where infrastructure is inadequate, or where the planning is not robust (e.g. because it was not anticipated in forward programming), places pressure on the Agency's capacity. Notwithstanding this, the HASHA also provides opportunities to achieve good transport, economic and social aims by bringing planning and investment forward, and within a confined time frame.
- A key issue is that the positive and close relationships established between the Agency and councils on past growth planning have enabled the parties to collectively respond and work closely together when assessing potential SHAs from a transport investment perspective. From the Agency's perspective this has enabled early, meaningful and collaborative approaches with these councils. Examples include councils who are partners to SmartGrowth western Bay of Plenty, Auckland One Plan and the Unitary Plan process, and the Greater Christchurch Urban Development Strategy. Moreover, the HASHA has resulted in the Agency establishing closer relationships with the Ministry of Business, Innovation and Employment and the Ministry of Education.
- The Agency is assessing all potential SHAs as it does for any growth areas requiring potential investment.

- The majority of current Schedule 1 councils have growth plans in place and the majority of SHAs are located within existing areas identified in councils growth planning. This has provided a high level of comfort from the Agency's perspective that it can work with a majority of the SHA's as its usually a question of timing, not whether infrastructure can be delivered at all.
- A positive result from HASHA implementation has been the need for all infrastructure providers to work with councils on SHAs identification and also that the SHA's are working within existing planned growth areas.

Assessing Tauriko as a potential SHA

- Tauriko is an area on the western edge of Tauranga City facing significant residential, commercial and industrial growth. Existing areas zoned for urbanisation have been structure planned progressively over the last decade and still provide over a decade of land supply for all land uses. Further areas are currently being considered through the SmartGrowth western BOP Strategy settlement pattern review to ensure continual supply is available and is provided for through good integrated planning.
- A significant factor in this planning is that State Highway 29 bisects the area and provides the biggest freight route in terms of both volume and value of product to the Port of Tauranga – New Zealand's largest in terms of export trade. In a wider context, approximately \$3 billion has been committed to projects to improve trip reliability and safety on the freight route between Auckland, the Waikato and the Port of Tauranga (refer Figure 1 below). This investment needs to be optimised by ensuring gains in one location are not lost elsewhere due to a lack of integrated planning.

Figure 1 – Transport Investments in the upper North Island



Note – TTS = Travel time savings, DSIs = Deaths and serious injuries

- Understanding the form and function of the transport network in this corridor in the short, medium and long-term is essential to be able to undertake structure planning for new growth areas. In turn, understanding the future land use pattern is essential for the Transport Agency to determine the appropriate transport interventions to secure the desired transport and community outcomes for the long term. Through the settlement pattern review the SmartGrowth partners will effectively build a high-level structure plan, based on an agreed evidence base and integrating planning for new infrastructure with future land use change.
- In 2014 a 40 hectare block of land at Tauriko (yield ~400 houses) located on the northern side of State Highway 29 was investigated by the Tauranga City Council as a potential Special Housing Area. This area, as part of a wider block of ~400ha, was already being considered, along with several others, through the settlement pattern review. The SmartGrowth partners did not support stepping outside the agreed integrated planning framework for considering new areas outside the established settlement pattern and this was confirmed by the Tauranga City in their decision not to create a Tauriko Special Housing Area.
- The reasons for this decision were primarily the risk to confidence of the development community in SmartGrowth's planning function and also the ability to ensure infrastructure investment is optimised – particularly for transport needs - across the wider sub-region. When providing for growth there is always an opportunity cost for any infrastructure investment, both in terms of alternative use of funds and also the urban form outcome. The SmartGrowth partners agreed that stepping outside the settlement pattern in a significant way requires a sub- regional lens to be applied to consider the implications across corridors and realise potentially foregone opportunities.
- Importantly, the value of integrated planning at a sub-regional level is well understood across the SmartGrowth partnership. This capability and the relationships built through development of an agreed growth strategy over two decades was essential for the integrated planning approach to be preserved in the face of significant pressure to release land for housing in the immediate term. The importance of relationships and capability in the integrated planning space is relevant to both officers and elected representatives.
- Overall, the Tauriko example demonstrates how the SmartGrowth partnership provides for a balance between providing 'shovel-ready' land for development whilst also doing the ground-work for sequencing further release of land to ensure an adequate supply continues to be available over time. Through structure planning and developing an evidence base through the settlement pattern review, future zone changes to open up new land can be effectively 'ready-to go' through the Schedule 1 processes under the RMA. The SmartGrowth partnership estimates that completing this ground-work prior to embarking on rezoning will save up to two years of lead-in time to zones becoming operative.

Agency Lessons from greater Christchurch planning

The Agency has been a key partner in greater Christchurch planning pre and post-earthquakes. Planning involvement includes its partnership in the Greater Christchurch Urban Development Strategy (UDS) and involvement in key post earthquake planning including the Land Use Recovery Plan. Some of the lessons include:

- A strong collaborative approach from a number of agencies over a long period of time has built up a high degree of trust and understanding of the collective growth strategy objectives. The planning and

development (and speed with which greater Christchurch recovery could move post quake) was based on mutual respect, trust and understanding of wider organisation objectives/ drivers.

- Recovery Planning has enabled a rapid response to the emerging growth model pressures because of the relationships between the Councils and the Agency that have been built up over a long period of time to delivering on a set of aligned initiatives. The relationships involved a much wider social, cultural and economic group including Iwi, development agencies and other government agencies. It enabled the Councils to develop and consult on recovery focused plans quickly by working off an established evidence base to draft a plan within a short period of time (1 year).
- Other mechanisms under the Christchurch Earthquake Recovery Act (CERA) legislation meant that developable Greenfield land (already identified through the UDS Growth Strategy) was able to be 'turned on' quickly to cater for displaced households (rezoning expedited in parts of Christchurch, Waimakariri and Selwyn).
- There existed a strong and well maintained governance structure prior to the earthquake which the Earthquake Authority could build on and utilise rather than establishing a new structure. This meant there was confidence in the local recovery governance arrangements at an early stage as it had been previously tested through the development of the Strategy.
- How the agencies have been working during recovery does highlight the fine balance between a need for fast/ efficient decision making and ensuring that there is effective community input.