

Cut to the chase



Better urban planning

Draft Report – August 2016

This *Cut to the Chase* summarises the Commission’s draft report on urban planning in New Zealand. The Commission seeks your input – particularly on the questions, draft findings and recommendations – by 3 October.

The inquiry

The Government asked the Productivity Commission to review New Zealand’s urban planning system. The inquiry looks beyond the current resource management and planning system and considers fundamentally different ways of organising and servicing New Zealand’s cities.

Cities grow and evolve in unpredictable ways

Successful cities are rapidly changing places, which provide wide opportunities for people to work, learn, live and play. As urbanist Jane Jacobs commented, the “point of cities is multiplicity of choice.” Most of the benefits from cities are created by the innumerable decisions that people and firms make about where best to locate, trade and meet. Rising incomes and new technologies mean that these preferences shift over time. Land that was once best employed for manufacturing may now be ideally placed for new retail or residential units. As a result of these wider social developments, cities evolve in unexpected and unpredictable ways.

Planning can contribute to wellbeing

Planning can help to maximise the benefits of cities, while managing their costs, such as pressure on infrastructure and on the natural environment. Changes in land use frequently create conflicts between property owners and other residents. Effective planning processes can help manage these conflicts, by setting clear expectations, defining property rights and resolving disputes. Planning systems also contribute to wellbeing by organising the infrastructure needed for development and growth, and providing the public spaces and facilities that support vibrant communities. However, there are limits to what planning can achieve, and attempts to steer cities in particular directions can be harmful. To make the greatest contribution to wellbeing, planning systems need to be open to growth, able to respond to unexpected change, and more respectful of the decisions made by individuals and firms.

The current planning system is slow to adapt and risk averse

New Zealand’s planning system is not well set up to deal with change. Processes for updating land use rules are slow and uncertain. There is too much unnecessary,

poorly-targeted regulation. Many councils have sought to manage or direct the evolution of cities in highly-detailed and prescriptive ways. Resistance to change from local residents and barriers to funding new infrastructure also inhibit a city's ability to grow and respond to change.

The system's problems are rooted in both its design and implementation. Ambiguous and broad language in current planning laws has led to overly restrictive rules in urban areas, 'scope creep', and an under-emphasis on the natural environment. The relevant primary legislation does not give prominence to urban issues, and it is difficult to set clear priorities for the natural environment. The lack of central government guidance has led to decisions that suit local interests, but which have negative wider impacts, such as rising land and housing prices.

What a future planning system should look like

A presumption in favour of development, subject to clear limits

A future planning system should facilitate development and changes in urban land use, ensure enough development capacity is provided to meet demand, and promote the mobility of people and goods to and through cities. Development in urban areas should fit within clear biophysical limits to ensure the natural environment is protected. These objectives should be clearly prioritised above other goals in planning law.

A future system should recognise that the natural and built environments require different regulatory approaches. The natural environment needs a clear focus on setting standards that must be met. The built environment requires processes that recognise the benefits of urban development.

Facilitating development requires a more restrained approach to land use regulation. This implies broader zones that allow a wider range of activities and a stronger evidence base to support new rules. To ensure this more restrained approach, the Commission recommends that a permanent independent hearings panel be established to scrutinise proposed new council land use rules.

Clearer priorities and more robust tools for the natural environment

A core role for any planning system is to help deal with conflicts between competing demands for resources (eg, land, clean air, fresh water) and competing values (eg, development, amenity, and environmental protection). However, current legislation and processes provide limited guidance on how to differentiate important from less-important natural environmental issues.

The Commission recommends that a new Government Policy Statement (GPS) for environmental priorities be established. The GPS would lay out clear environmental priorities, reflecting the areas of the natural environment that are most at risk, and would provide greater guidance to councils on where to focus their efforts. The GPS would also assist local decision makers to prioritise environmental issues when faced with conflicting priorities or scarce resources.

More effective management of pollution with cumulative effects must be a priority for a future planning system. Existing approaches struggle to cope with the complexity and uncertainty of natural systems. A greater emphasis on adaptive management is needed, as is greater access by councils to the full range of tools (including market-based) for protecting the natural environment.

Rezoning and regulatory change that adapts more rapidly to circumstances

Current processes for changing land controls takes considerable time to complete. Consequently, the system is unresponsive to changes in circumstances and preferences. Under a future planning system, councils should be able to set objective thresholds in Plans, which when met would automatically trigger changes in land use rules. Thresholds could be linked to land price differentials on the fringe of urban areas or pre-determined environmental standards in rural areas.

Greater focus on those directly affected by change

The current planning system provides very broad public participation and appeal rights by international standards. This allows people unaffected by a development or rule change to challenge them, creating uncertainty and unhelpful costs. Appeal rights in a future planning system should be more squarely focused on those directly affected by a consent decision or Plan change. Notification obligations for resource consents should similarly focus on those likely to be affected by the development in question. This would increase the certainty and timeliness of decisions and reduce opportunities for vexatious litigation.

More representative, less rigid consultation

The planning system rightly obliges councils to consult with communities over proposed new rules, services and infrastructure, and their impact on local authority budgets. In some circumstances, however, councils must follow rigid and prescriptive processes for engaging with the public. Public participation is often skewed in favour of individuals and groups with more resources. There is a need to ensure that councils understand all community interests, not just the loudest voices.

In a future planning system, councils should face clearer obligations to understand the breadth of interests and to ensure that all parties affected by a proposal are able and encouraged to participate in decision-making. Councils should also have more flexibility to choose the most appropriate tool for gathering information on the public's preferences, and communicating the impacts of local authority proposals.

Funding tools to support more responsive infrastructure provision

High performing urban areas need infrastructure to be delivered in an efficient and timely manner. However, financial, legislative and political barriers make delivering infrastructure a challenging and risky task for councils. Recovering the costs of new infrastructure can be difficult, councils lack access to some funding tools, and existing ratepayers are often resistant to bearing the costs themselves. As a result, councils can be reluctant to provide the infrastructure needed to support growth.

Better funding tools to recover costs from users would help councils to overcome some of these barriers. These tools include targeted rates that capture at least some of the value of land uplift that results from council actions (eg, installation of new infrastructure), and more use of pricing for water and roads. There is also scope for councils to apply a wider range of procurement models, such as Public Private Partnerships.

A number of commentators have argued that more far-reaching changes to local government funding sources are needed, if councils are to truly welcome growth. These could include replacements for, or supplements to, the existing rating system.

The Commission is interested in hearing more evidence from stakeholders on this issue.

Spatial plans as a core part of the system

Spatial plans should be a standard and mandatory part of a future planning system. Such plans can help to signal the future location and timing of infrastructure investments and align land-use planning with the provision of infrastructure. Securing the land 'corridors' required for public streets, infrastructure networks and public open spaces is crucial for the smooth and efficient development of cities.

Continued recognition and protection of Māori interests

Māori have a broad range of interests in both urban development and the protection of the natural environment. Māori urban planning principles are distinctive, although some share roots with other commonly accepted planning principles. A central theme is for Māori to live as Māori in the urban environment.

Current planning laws recognise these interests, and require councils to engage with iwi/Māori in developing and administering plans. The practice of councils engaging with Māori over planning issues has improved in recent years, partly reflecting the positive impact of Treaty settlements on iwi capability. But practice remains uneven across the country, and there is room for further development. The Commission considers that the current framework for recognising and protecting Māori interests and for Māori engagement in land-use planning should be carried forward into a future system.

More than just change to legislation is needed

One of the most important lessons of the planning system's last 25 years is that successful change is not just about replacing legislation. It also requires changes to the underlying institutions and culture.

A shift in planning culture, to one that recognises the limits of planning, is needed. This will require greater recognition of the complex nature of cities and the limited ability of governments to predict urban outcomes at the micro level. Greater emphasis should be placed on rigorous analysis of planning policies. This will require councils to build capability in areas such as environmental science and economics. Soft skills such as communication, mediation and facilitation skills will need strengthening, as well as an understanding of iwi/Māori worldviews. Finally, a future planning system should be based on a productive and collegial relationship between central and local government.

Read the full report ... and make a submission

Submissions on the draft report are invited by 3 October 2016. Government will receive the final report by 30 November 2016.

Read the full version of the draft report and make a submission at www.productivity.govt.nz or call us on 04 903 5167.

The **New Zealand Productivity Commission** – an independent Crown entity – conducts in-depth inquiries on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues.