

**First Thoughts on the Urban Development Capacity National Policy  
Statement**

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**Will it fix the problem?**

In short, no. But then it does depend upon what the problem is - is it affordability and stability of housing for low to moderate income households, or is it more generally that prices are going up too fast and some households (and banks) are over extending themselves in debt? The national significance statement of the NPS doesn't touch on either issue. It refers more generally to the need to enable urban development and change, which is a bit odd, given that plans do that on a day-to-day basis.

In a funny way the NPS may contribute to the problem getting worse. The implication of the NPS seems to be that due to planning constraints, housing supply will always lag demand and hence from an investment point of view, it is a one way bet. The need for an NPS reinforces a picture of planning 'mucking about'. The NPS adds another layer of debate into this mucking about, but doesn't really simplify it or speed it up. An NES may have been a better shot.



As for the solution of more supply, it assumes that housing capacity (or the lack of it) is the critical constraint to housing production, which in turn is the critical driver of house prices.

Well, that seems to be case when you read the Sec 32 report: more houses, more quickly should moderate prices (no surprises there) and that the thing holding back more houses more quickly is zoning. But it is never going to be that simple. And so again, another implicit message is sent to the property investment market: "don't worry, things aren't going to change that much".

Is the NPS going to help address housing affordability and stability? Affordability of housing at the margins, possibly, if supply of built houses and apartments is increased. But the wider issue of a steady retreat of the public sector out of housing for low income households; flat lining of incomes for middle income houses and steadily rising construction, land costs and transport costs seems to have been missed. The need for greater housing density in our main cities to help moderate higher housing costs (rather than reductions in land prices from more land) and the tools needed to facilitate that density (like good urban design and investment in neighbourhood infrastructure) don't really get a mention. Neither is there any hint of moves to encourage a mix of housing in developments (both prices and types). If we are to move to a more market approach to housing then we have to have a serious look at what frameworks are needed to incentivise a market that will deliver quality, affordable, diverse neighbourhoods. Just 'more supply' seems a very simplistic response.

I've added housing stability into the mix, as I think this is going to become an equally important issue for people and communities as we move (implicitly) to a 'more market' approach to housing. If the outcome is to be more housing supply than what is needed, then we have to also accept that the

corollary is much greater flux in neighbourhoods - some will go ahead, but others will decline in terms of the demand to live in these neighbourhoods, and hence property prices and investment in them. Try to create some 'slop' in the system and that slop will slop in and out of areas. The winds of creative destruction will need to blow through some neighbourhoods, just as they blow through sectors of the economy. Are we prepared for the degree of change and potential dis-investment implied? Arguably this is less of an issue than people living in garages because of a lack of supply, but it is a consequence of 'too much', rather than 'not enough'. The hoped for goldilocks of 'just the right amount' seems a mirage.



I guess the one benefit of the NPS in its current form is that once the policy statement has worked its way through regional policy statements and local plans of medium and high growth councils, another layer of the housing onion will have been peeled off, only to find another layer under that (or perhaps more prosaically, we can carry on playing pass the parcel for a few more rounds).

### **Aren't we doing this already?**

The mythology seems to be growing that planning can only ever deliver restricted capacity. On one level this is true, in that planning will restrict how much development may occur in some places, such as along coastlines, in heritage areas and outstanding landscapes, or in areas where infrastructure is lacking. That is the job of planning, after all. But for planning to do its job properly, the foregone capacity should be provided for somewhere else along with a process of adjustment to ease the shift.

The NPS sec 32 seems to be silent on the moves that are being made to increase capacity in Auckland, both up and out, within the constraints present. There is no data as to current and planned housing capacities in the high growth cities listed. This seems a big weakness of the analysis of the problem. It is not hard to find information on current planned capacities:

- Auckland Council's latest proposals under the Auckland Unitary Plan will see plan enabled capacity reach 1,000,000 dwellings, of which about 300,000 are feasible on today's numbers.
- Hamilton City says it has 40 years of residential land<sup>1</sup>.
- Tauranga City reports that it has over 10 years supply<sup>2</sup>.

So is lack of capacity really the issue? Is the current planning system so unresponsive? It is almost like the NPS didn't want to look at what is currently being planned, as that might upset the analysis of the problem and proffered solution.

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<sup>1</sup> <http://www.productivity.govt.nz/sites/default/files/sub-using-land-for-housing-70-hamilton-city-council-377Kb.pdf>

<sup>2</sup> <http://www.westernbay.govt.nz/our-district/current-projects/Documents/Tauranga%20City%20Residential%20Land%20Supply%20Assessment.pdf>

Here is a quick test. Would the NPS make any difference to Auckland Council's current position set out in its evidence to the Auckland Unitary Independent Hearings Panel?

Probably not. But maybe with the NPS in place there would have been fewer arguments along the way?

Maybe in relation to long term planning there would be a difference - the 30 year time horizon of the NPS. Maybe the NPS will mean a more regular review of the Auckland Rural Urban Boundary. But in my view that was always going to happen anyway (even if it is claimed that the RUB is a hard boundary). Inevitably the next generation will adjust the RUB and there will be plan changes to up zone. Would the requirement for a long term view change the dynamics and politics of urban redevelopment?

### **Capacity in the right area?**

This is where the NPS dodges the hard yards. The NPS generally says: "provide capacity, but where that capacity should be, is up to you". But isn't it all about where, rather than how much? This is the politics of growth - not how much, but where?

The NPS does say it is necessary when considering extra capacity to look at demand patterns and where development is feasible, but it is a pretty general reference to a key issue. Is it possible to undertake area-wide feasibility testing, over a medium to long term time span? Somebody will say yes it is, but my guess would be that it isn't possible in any meaningful way.

In Auckland, some of the best places from a market perspective to develop (greenfield and brownfields) are also the most jealously guarded. The NPS is supposed to temper (and even draw back) the protection of these area from more growth and redevelopment. But it is hard to see how the NPS provides the tools and the teeth to see through such changes. An NES that said: "Rezone these areas to these densities" would have been a much clearer statement of intent.

### **Any new tools?**

No. That's the big problem I have with the NPS. I can't see it really changing any behaviour.

Should the NPS have at least have noted and supported the tools that are needed to promote urban redevelopment? Redevelopment of urban areas is a key method of enabling capacity, but we all know that redevelopment needs a helping hand. Good urban design is a fundamental, not a constraint.

When the NPS talks about reducing regulatory barriers, what does it really mean?

And what tools are needed to help 'transfer' demand from highly market attractive areas but subject to appropriate constraints, to less market attractive but with capacity? Isn't this the core aspect of planning?



## **Other Things**

Objectives. The Objectives of the NPS are not really objectives. They start with a "To" which never helps and are more like 'how to do it', rather than 'what to aim for' statements. Some just seem to repeat the Act.

It is about housing, not population, so should the reference be to a set of housing projections, rather than population projections? It's another link in the chain to work through - how much housing is needed of what type. There are big assumptions involved, especially over a medium to long term picture.

Demand spikes and shocks: How do you ride out a shock? This is the problem Auckland is facing: a global crash followed by a surge of immigrants and returning kiwis. Did the population projections of the time identify either occurrence? How do you factor in a massive growth in credit and an investment boom? How can you change a plan quickly in response?

Part 2 of the RMA. Where does it fit in? By implication, something has to give to fit all the houses in. What gives?

Sufficiency and feasibility of housing capacity. These are two critical terms, and the lack of explanation as to how they should be calculated in a joined up sense is not helpful. There are mutterings at the back of the consultation document as to 'guidance'. Heard that before. More than likely the Courts will yet again have to sort out public policy.