



## Mt Victoria Residents Association

PO Box 19056, Wellington 6149

15 July 2016

Contact: Craig Palmer, President



Ministry for the Environment  
PO Box 106483  
Auckland City 1143  
Email: npsurbandevelopment@mfe.govt.nz

### **Submission on proposed National Policy Statement on Urban Development Capacity**

The Mt Victoria Residents' Association Inc (MVRA) represents residents of one of the most densely populated suburbs in Wellington, bordering city's CBD. The Association's objectives include contributing to the wellbeing of residents by encouraging a community spirit, and by protecting the quality and heritage values of the built and natural environment of Mt Victoria.

The MVRA supports appropriate in-fill development because the alternative greenfield sprawl creates pressure on the natural environment and productive land, requires more infrastructure and social services, and increases carbon emissions. For many years our largely Victorian and Edwardian villa neighbourhood has experienced in-fill developments, some in harmony with their environment, but many others (including a 10-storey block) whose height, bulk and design are completely inappropriate, and often also shoddily constructed.

### **General comments**

1. The proposed National Policy Statement (NPS) is one of several government initiatives to improve the supply of housing in some parts of New Zealand, including the Resource Management Amendment Bill (No 2), the Local Government Act 2002 Amendment Bill (No 2), and the \$1 billion loan fund for local government infrastructure.
2. The MVRA is concerned that these initiatives undermine the fundamental purpose of the Resource Management Act, undermine local democracy, and overlook other measures to address the current pressure on housing in some parts of New Zealand.

### *Purpose of RMA*

3. The Section 5 purpose of the Resource Management Act (RMA) makes it clear that development must be sustainably managed to meet the needs of current and future

generations within the capacity of the environment and the eco-systems that support it. There is a danger that by forcing local authorities to provide enough development capacity to meet immediate housing and business needs, the RMA's environmental considerations are over-ridden, especially the need for sustainability into the future. We recommend the NPS include a clear statement that the provisions of the RMA are paramount, and that the NPS's purpose is to provide guidance within the provisions of the RMA.

#### *Local democracy*

4. The draft NPS implies that local authorities are inept or else too weak in face of determined opposition from vocal, entrenched interests in some neighbourhoods, and therefore need the backing of central government to force them to make more greenfields land and in-fill available. This is contrary to the general, long-held view that local authorities are better placed than central government to understand and try to meet the particular needs of their communities (although Auckland city is so large it has ceased to be a 'local' authority). Local authorities are also better placed to manage development demands in their particular circumstances within the provisions of the RMA. The proposed NPS and other initiatives are contrary to the spirit of local democracy and "local knows best". They may also force councils to agree to developments that do not meet principles of good urban design, urban form and development or sympathise with the amenity values of neighbours.

#### **Other measures to address availability and affordability of houses**

5. Unfortunately, the Government's proposed NPS and other supply-side measures are unlikely to make any difference to availability of housing in the near future or its affordability ever for renters and first home buyers, particularly in Auckland. The accompanying explanation to the proposed NPS clearly identifies the adverse effects of non-affordability of houses – overcrowding and its related health and social problems, and pressure on welfare systems – and of inflated prices – reduced investment elsewhere, and risk to the national economy (page 22).
6. The Government should also consider other measures to address the problems it has identified. These measures include a drop in house prices, immigration controls, banking controls, tax changes, and improving rental policy.

#### *Drop in house prices*

7. Both Arthur Grimes, former Reserve Bank chair, and Don Brash, former Reserve Bank governor, have called for a significant drop in Auckland house prices, which are currently 10 times average income and far in excess of this ratio elsewhere (*Dominion Post* 9 July 2016). However, the Housing Minister is only aiming to keep price increases to single digits which will do nothing for affordability. The article notes a sudden price drop could benefit those unable to afford houses now, and only a relatively small number of people would be adversely affected. The IMF (IMF Country Report No. 16/39, February 2016) pointed to stress tests that suggested banks would be able to withstand a severe shock to house prices, output, and dairy prices, but noted that in a severe scenario credit supply could become constrained. It is also likely that the apparent irrationality of continuing house price rises is deterring prudent investors.

### *Better manage Immigration*

8. A major source of pressure on housing availability is immigration. Permanent and long-term migration increased markedly from a net gain of 38,300 people in the June 2014 year compared with a net gain of 7,900 in the June 2013 year, mainly due to fewer New Zealand citizen departures. A large part of the increase was from 44,008 people approved for residence in 2013/14 compared to 38,961 the previous year. The government's target for the New Zealand Residence Programme for two years to mid-2016 was 90,000-100,000 permanent residence approvals. The Government should consider reducing the target for the next several years until housing needs can be properly met. It should also be encouraging new immigrants to live in regions of New Zealand where population is not expected to grow as rapidly as in the high- and medium-growth areas. The latter could also contribute to stimulating growth in regional New Zealand if more resources were directed to regions other than Auckland to support them.

### *Introduce further banking controls*

9. The Government should also consider measures to eliminate the property investment bias in banking and to address housing market risks. Residential mortgages represent about 50-60 percent of banks' assets. The IMF (IMF Country Report No. 16/39, February 2016) recommends targeted higher risk weights on housing loans, higher down payments, and a formal debt serviceability test, as deployed in other advanced economies in the Asia-Pacific region.

### *Remove tax advantages*

10. A further measure the Government should consider is removing the tax advantages of real estate investment over other investments. For example, the IMF (IMF Country Report No. 16/39, February 2016) recommends widening the scope within which a resale of real estate is deemed for a business purpose and the proceeds taxable, as well as ring-fencing housing losses to within real estate earnings thereby curbing investor tax incentives from the current ability to deduct interest costs from other taxable income.

### *Improve rental policy*

11. In a discussion paper on home affordability, the NZIER (Public discussion paper 2014/4, July 2014) noted New Zealanders' fixation with home ownership. and that one problem is renting is not comparable to home ownership, because New Zealand has one of the least renter-friendly rental policy settings in the world. "Lease terms are short, tenants can be asked to move with short notice, leases can be terminated on almost any condition as long as notice is given, and personal customisation is often difficult (pets, minor alterations, etc.)". NZIER suggests there are good examples of more balanced tenure and tenants' rights in the UK, Germany and Switzerland that support renting as a normal alternative. The MVRA suggests the Government consider improving rental policy to make renting more attractive and comparable to ownership.

### **Comments on the proposed NPS**

12. All local authorities will have to comply with all the Objectives and several of the Policies, even if housing supply is not an issue in some areas, for example Whanganui's population

is projected to decline over the decade to 2023. This will place an unnecessary administrative burden on unaffected local authorities. In addition, the requirements for medium-growth and high-growth urban areas place an even greater administrative burden on local authorities in these areas. We ask how effective and efficient the housing and business assessments, with all their data-gathering, reporting, consultation with stakeholders and other local authorities, and quarterly monitoring requirements, along with changes to plans and policies, will be in making any difference to housing availability. We recommend that urban areas which are neither medium- nor high-growth should be exempted from the provisions of the NPS.

13. As stated in the Preamble, Objectives and Policies, a key theme of the NPS is for planning to be driven by the property market. Unfortunately, this market for complex reasons has not been responsive to demand pressures to date, and so it is unlikely a simple reliance on market signals will work. In our view some sort of integrated and coordinated planning is required involving central government and affected local authorities so local conditions are taken into account in the context of the RMA. An example noted by the NZ Planning Institute is that in some regions rural land plays a more important role in agriculture and horticultural production and economic activity than in others, which makes it important for an NPS intended to intervene at territorial level to require integration with broader regional land use, economic development and trade strategies.
14. Although the Preamble states the NPS aims to reduce the cost of housing relative to income, none of the Objectives and Policies appears to address affordability. This is a major omission.
15. Another major omission is the failure of the NPS to address the quality of housing and urban design. Good quality design of more compact urban areas is essential for both liveability and affordability - sprawl is unaffordable in every way. Quality is needed for the long term and national policy that encourages this could be useful. For example: energy-efficient design, every home with an open space and outside clothes-drying; green space or parks and public transport stops within 500 metres; local services (fresh food shops, library, etc) within walking distance, say 1 kilometre or a 15 minute walk, no minimum parking requirements, and sympathy with neighbours through height, bulk and sunlight-plane limits.
16. We are very concerned that the proposed NPS is silent on the provisions of the Resource Management Act (apart from references to it in the Interpretation section). The result is the Objectives and Policies are stated as if unconstrained by the over-riding environmental provisions of the Act. Noticeable omissions of the word "environmental" in statements about people's and communities' wellbeing are found in the Preamble, Objective OA1, Policy PA3, and the National Significance section. We urge that the NPS adds the word "environmental" in statements about people's and communities' social, economic and cultural wellbeing, and that there is a statement under the headings to Objectives and Policies saying they are to be considered within the context of the over-riding purpose and other environmental provisions of the Act.