

12 July 2016

NPS Urban Development Capacity
Ministry for the Environment
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Auckland City 1143
Email: npsurbandevelopment@mfe.govt.nz

Dear Sir/Madam

RE: Submission on Proposed NPS Urban Development Capacity Consultation Document (June 2016)

Auranga (Karaka and Drury Ltd) has an approved special housing area (SHA) over its greenfield landholdings of 85 hectares at Bremner Rd, Drury West in south Auckland. Current investment to develop homes and a resilient community here includes \$4M for planning and a forward private fund of \$10M+ for infrastructure. Auranga anticipates that the SHA will act as a catalyst for further development and care is being taken to integrate the SHA development with the wider Drury West land currently zoned future urban. Auranga is liaising closely with Auckland Council and its infrastructure providers amongst others to ensure that there are integrated plans for the wider area.

In summary, Auranga submits that:

- The NPS needs to explicitly recognise the role that future urban zoned land plays in meeting housing and business needs;
- The definition of "*sufficient development capacity*" needs broadening to take account of any housing shortage and differences in development occurring in existing urban areas and greenfields;
- Private plan changes be explicitly acknowledged in the NPS as a means of contributing to a responsive planning framework;
- Housing assessments required by council under the NPS take into account any existing housing and associated land supply shortage; and
- Further consideration be given to an agreed methodology for calculating housing demand and housing shortages.

Each of the above are discussed below.

Objectives of NPS:

There is an opportunity to be ready to unlock further development potential with supporting infrastructure on land currently zoned future urban that adjoins the approved Bremner Road SHA, Drury West. It is suggested that this is consistent with the intent of the objectives of the Proposed NPS (section 5 page 11). However, it is noted that the objectives (OA1, OA2, OA3, OC1) refer to urban areas which are defined in the NPS as encompassing areas with urban characteristics and moderate to high concentration of population. The objectives therefore may inadvertently not take account of the role that future urban zoned (FUZ) land plays in increasing sufficient development capacity. FUZ land is rural land earmarked for urban development.

Recommendation 1:

It is **recommended** that objectives OA1, OA2, OA3, and OC1 be amended so that they include reference to urban and future urban areas, eg OA2 would read *"to provide sufficient residential and business development capacity to enable urban and **future urban** areas to meet residential and business demand"* and OC1 would read *"to promote coordination within and between local authorities and infrastructure providers in urban and **future urban** areas, consistent planning decisions, integrated land use and infrastructure planning, and responsive planning processes"*.

Policies in the NPS:

Additionally, for the objectives of the NPS to be achieved, Auranga submits as follows:

1. That the definition of sufficient development capacity (as used in policy PA2 and PA3 and defined in section 3 Interpretation) needs to be broadened so that account is taken of:
 - any existing housing shortage; and
 - the different land development processes in existing urban areas (brownfields) where land has operative zoning, and rural areas earmarked for urban development (greenfields) where *"ready to go"* land supply requires a change from future urban zoning to live urban zones and bulk infrastructure provision.

Currently, sufficient development capacity as defined in the Proposed NPS uses 4 characteristics of demand (projected household growth, types of dwellings, different urban locations and different price points) to help determine what is sufficient development capacity. This definition is not explicit about the demand that is created by existing housing shortages, nor does it explicitly differentiate between brownfield and greenfield development.

The data on Auckland's housing shortage varies. In MBIE's 2014 Building & Housing Portfolio: Briefing for the Incoming Minister, Auckland's *"current shortfall (was) estimated at around 18,000 dwellings."* Additionally, Auckland's population growth has historically always been above the projected population growth (ie planning for Auckland should be informed by a high growth scenario). In Interest.co.nz (January 29, 2016) Property Editor Greg Ninness estimated that *"Auckland needs 14,500 new homes to be built every year just to keep pace with the city's population growth, which is an average of 1,200 homes per month. Any less than that and the city's housing shortage will keep getting worse"*.

From 2006-13 Auckland delivered an average of only 5,000 houses per annum. The Housing Accord and Auckland Council's own growth projections require 13,000 households to be built per annum to 2041 – just to accommodate growth, not to accommodate any shortfall. In respect of the level of shortfall there is another factor to consider. Auckland's household occupancy ratio in 2013 was 2.99. This is extraordinary and a ratio not seen in any other Australasian city, where rates generally sit at 2.6-2.7 persons per household. The higher rate cannot be explained by ethnicity variance. The New Zealand household occupancy ratio is 2.7 persons per household, so if Auckland, in 2013, was to achieve the New Zealand average or indeed align itself with other sizable Australasian cities, it would have needed an additional 51,000 houses in that year. If this is the shortfall, then Auckland would need to deliver not 13,000 homes per annum, but 15,700 per annum.

Additionally, the Auckland Plan currently has "ready-to-go" land supply targets. These include targets of an average of 7 years supply of land that has "live" zoning and has bulk infrastructure in place. The long term (30 year) aspiration in the Auckland Plan is for 60-70% of growth within the existing urban area of Auckland and 30-40% of growth on new greenfield land.

Realising the development potential of greenfield land takes a long time and requires certainty for both scale and momentum of development to be achieved. In the short and medium term (3-10 years) the percentage of development in greenfields may need to be greater to achieve sufficient development capacity in the Auckland market.

Recommendation 2:

It is **recommended** that the definition of demand in the Proposed NPS be amended to include reference to future urban areas and to include a new characteristic e) as follows:

"In relation to residential development, the demand for residential dwellings within an urban and **future urban** area in the short, medium and long-terms, having particular regard to:

- a) the total number of dwellings required to meet projected household growth;
- b) demand for different types of dwellings;
- c) the demand for different locations within the urban and **future urban** areas;
- d) the demand for different price points
- e) **any existing shortages in housing and associated land supply"**

Recommendation 3:

It is also **recommended** that policy PB1 that requires housing assessments to be undertaken by local authorities be amended to ensure that the housing assessments also take account of any existing shortages of housing and associated land supply.

2. That policy PD2 should make it more explicit that the responsive planning framework sought by the NPS includes private plan changes that may be formulated within two years of any district plan becoming operative subject to a developer demonstrating a capacity to

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develop and meet infrastructure demands. In other words, councils use the opportunity to collaborate with those developers who can bring land to the market and agree to early engagement so that a private plan change can be completed within a timely fashion. This allows more flexibility where it may be necessary to bring land that is zoned future urban forward for development to meet demand and any housing and land shortage. This would be consistent with Policy PD8 which refers to a future land release and intensification strategy having to provide a process for flexible implementation.

Schedule 1 of the Resource Management Act 1991 provides an opportunity for a council to reject a private plan change request where a plan has been operative for less than two years. While there is merit in that provision to avoid constant change after due process, it may also be a limiting one where both demand and shortage of “ready-to-go” land supply is evident and there is a developer with the capacity to develop land and work collaboratively on approaches for the delivery and funding of new infrastructure.

Recommendation 4:

It is **recommended** that policy PD2 be amended to include a further sub-bullet point as follows:

PD2: A local authority must consider all options available to it under the Act to enable sufficient development capacity to meet residential and business demand, including but not limited to:

- Changes to plans and regional policy statements, including changes to: ...
 - ...
 - **and private plan changes initiated within two years of a plan being operative provided that the applicant can demonstrate a capacity to develop land, that the infrastructure can be provided and the proposal contributes to sufficient development capacity can be met.**

The issue of land and housing supply is also an issue related to affordability. Put simply, an under-provision or housing shortfall results in rises in prices (demand versus supply). However, the economic effect is not confined to land price but also to building cost and quality. Where supply exceeds demand, the quality increases (as occurred in metropolitan Perth, Western Australia, for the period from 1980s to 2010), prices go down and affordability goes up. There is little in the NPS that effectively deals with affordability directly. It appears to assume “*sufficient development capacity*” deals with growth and as such supply to meet demand will result in affordability. In this respect we think it is important that affordability, through increased land supply and home building that generates competition between builders and suppliers, should have a greater focus in the NPS.

It is acknowledged Policy PA1 requires decision-makers to enable the competitive operation of land and development markets. Nevertheless, read as a whole, the Proposed NPS statement may not achieve that outcome. The NPS should have the effect of taking a council past the point of merely dealing with growth to where the strategy more effectively creates competition and higher housing development as a consequence. In this regard it is suggested that there needs to be an agreed methodology for calculating housing shortage and demand.

Recommendation 5:

That further consideration be given to how the NPS on Urban Development Capacity can promote housing affordability by way of generating competition between builders and suppliers and that consideration be given to having an agreed methodology for calculating housing demand and housing shortage.

Thank you for the opportunity to make a submission. If you would like to discuss any of the above matters, we are more than happy to meet with you.



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