

Submission on National Policy Statement for Urban Development Christchurch City Council

<https://www.mfe.govt.nz/more/towns-and-cities/proposed-national-policy-statement-urban-development-capacity>

To:

NPS Urban Development
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Re: Submission on the Proposed National Policy Statement on Urban Development Capacity

Thank you for the opportunity to comment on the above. Please find attached the Christchurch City Council's submission on the proposed National Policy Statement on Urban Development Capacity consultation document (June 2016).

Submissions from the Canterbury Mayoral Forum, individual Urban Development Strategy (UDS) Partners and the UDS Partnership are also being made and cover matters specific to their respective role and functions.

The Christchurch City Council would welcome the opportunity for further discussion with the Ministry ahead of the release of a final National Policy Statement.

Yours faithfully



Karleen Edwards
Chief Executive



Councillor Ali Jones
Submissions Panel Chair

INTRODUCTION

The Christchurch City Council ('Council') appreciates the opportunity to respond to the proposed National Policy Statement on Urban Development Capacity ('NPS'). The subject matter of the NPS has always been of keen interest to the Council, particularly so since the Canterbury Earthquakes. The Council has provided feedback on this and related topics on a number of occasions both on its own account and as part of the Greater Christchurch Urban Development Strategy (UDS) partnership.

The Council sees the NPS is an integral part of proposed changes to Sections 30 and 31 and other proposed amendments to the Resource Management Act. The Council also understands that the Ministry will be looking at options for a methodology for assessing demand and development capacity, options for providing further direction around what 'sufficient development capacity' means, and monitoring the take-up of that capacity.

This submission has six parts:

- Executive Summary;
- General submission of scope and content;
- Submissions on specific objectives and policies;
- Submissions on supporting documentation including the Regulatory Impact Statement;
- Submissions on Definitions and terminology;
- Appendix – Christchurch Planning and Property Market.

1. EXECUTIVE SUMMARY

The Council is not averse to an NPS on this topic provided it is realistic in its objectives and can be implemented with minimum cost to the Council:

- Christchurch has sufficient residential and industrial land supply to meet anticipated demand at least for the medium term. However, what is required, are effective ways to encourage developers to bring sections on to the market particularly to provide more low-cost homes. The NPS is silent on this;
- The Council considers that housing assessments should be every five years, not every three as is being proposed;
- While the Council has access to some market data, there will be additional costs in acquiring other data sets that will be needed to give effect to the NPS;
- Providing development capacity is not the issue for most Councils. It is the allocation of that capacity, the costs of servicing, minimising development and construction costs and securing good environmental outcomes that are the key challenges;
- Some amendments are needed for the objectives to provide a more balanced framework in terms of Part 2 of the RMA, and so that policies better align with objectives;
- There are some fundamental issues with definitions and terminology – e.g. the term 'Main Urban Area';
- The NPS should be accompanied by a suite of other methods aimed at incentivising developers to release land and assist with overall implementation of the land release and intensification strategy in PD7; and
- The Government should provide guidance on some of the methodologies to be used.

- There is no clear nexus between the NPS and the overarching aim of providing affordable housing. Although adequate land supply is an important ingredient to moderating house price increases, the Council submits that the focus of the provisions should be on *affordable* development capacity to make the nexus clearer. That would encourage local authorities (and central government) to give consideration to how the allocation of capacity will contribute to affordability.

Overall the Council considers that the NPS will have less relevance to Christchurch than some other high growth areas because of the city and sub-regional planning that has been undertaken over past decades. As noted by the Productivity Commission:

“Christchurch is a special case worth noting. Destruction of housing stock after the earthquakes created a shock shortage of adequate housing. That said, it is notable that the Canterbury rebuild appears to be on track to provide a sufficient supply of housing to meet demand in the near future. This illustrates what a resolute and coordinated effort to increase the supply of dwellings in cities in response to demand for new housing can achieve. It also reflects the important role that neighbouring territorial authorities played in providing a competitive supply of ready-to-build land.”¹

The above comment also highlights that supply is only one tool in the toolbox of providing affordable housing as there is still some concern over the lack of affordable housing in Christchurch.

2. GENERAL SUBMISSIONS

The Council endorses the matters raised in the submissions lodged by the Greater Christchurch Urban Development Strategy partnership, Environment Canterbury and the Canterbury Mayoral Forum. Christchurch and its UDS partners are already promoting a number of the objectives outlined in the NPS, through an agreed land use strategy. A strategic objective in the Christchurch Replacement District Plan is ensuring the City continues to offer a wide range of housing options that are affordable for the types of labour and residents require to support economic growth. Working with statutory partners and other stakeholders, the Council monitors development capacity, integrates land use and infrastructure and carries out housing assessments as part of its housing policy.

Housing and Economic Recovery

Business and investment is important for the recovery of Christchurch. The region can't rely on natural birth rates to generate investment and retain businesses over the coming years, and will require continued immigration. Providing adequate development capacity for housing is essential for enabling this growth and investment, as well as meeting a basic human need.

Research by the Canterbury Development Corporation (CDC)² suggests that housing affordability is an important factor in attraction and retention of people. Affordability is linked to the relationship between average wages and house prices. This suggests that housing affordability needs to consider productivity and economic development as well as the supply of land/houses.

¹ New Zealand Productivity Commission: Using Land For Housing September 2015 page 21.

² The Canterbury Development Corporation, among other roles, provides the Council with city wide and regional economic advice.

The CDC also advises that markets are most efficient where there are many participants in the land market. The CDC notes that it is unlikely Christchurch's property development market, for residential in particular, is not a proper market in the sense that there are probably a few large scale players creating duopoly or oligopoly market pricing behaviours

Also, it is not clear from the NPS draft what the definition of where demand equals supply is. For example, is it where residential average prices are growing less than 10%? The Council recommends the analysis behind draft NPS:

- Considers market pricing behaviours of developer duopoly or oligopoly's and, if an issue in regions, consider how TAs can manage this, preferably with less emphasis on additional greenfields land.
- Defines the characteristics of a property market where demand is equal to supply as described in the draft NPS.
- Considers how the NPS can support Council collaboration and circumvent the inherent competition for population growth and rates base that occurs between neighbouring Council's.

Urban Capacity and Communities

The Council considers that the NPS is too heavily focussed on enabling development capacity and does not sufficiently recognise the close connections between providing this capacity and other urban planning considerations, such as the social and environmental impacts of urban development. For example, there is no reference to the Urban Design Protocol, which is a fundamental consideration in delivering capacity. Strong city amenity and community attributes, and protecting historic heritage will also be critical factors in attracting migrants and visitors and for economic recovery generally. This latter point is not given adequate consideration in the Proposed NPS, as noted in the submissions by Environment Canterbury and the Canterbury Mayoral Forum.

The ability of the local environment to absorb change also needs to be considered. A concern raised by the Minister through the media has been the effect of 'NIMBYism' on housing supply, and this concern appears to be reflected in Policy PA3. The Council's experience is that NIMBYism is less of an issue when there is a clear rationale for intensification in a plan that provides certainty for the community. The issue is more likely to arise where there is no such plan.

Transforming capacity into housing

Christchurch is well positioned to absorb this growth. Forecasts indicate that the City will have an additional 23,700 households by 2028. There is currently in excess of 2000 hectares of residential vacant land which will provide for around 25,000 households. In addition there is an estimated capacity for around 15,000 households through infill and intensification. There is therefore sufficient development capacity to meet demand for at least the medium term (a more detailed summary of the property market and planning context is contained in Appendix 1). However, the actual rate of development of this potential capacity and the price at which housing arrives on the market are major concerns for the Council.

The City also has 650 hectares of zoned industrial land – around 25 years supply. However, much of this land appears to be in the hands of a few owners who are able to regulate the rate at which the land is made available.

Insufficient attention is given to how growth is to be funded. Whilst the NPS seems to be trying to force the Council to provide, not only a certain amount of zoned land, but also that the zoned land be serviced. If the provision of infrastructure is decided under the LGA, rather than the RMA, the NPS may be ineffective in achieving that outcome, if the Council decides it is appropriate to provide less infrastructure under the LGA than what would be necessary to meet the targets set in the NPS.

Building in areas that require large amounts of money to be spent on construction and earthworks to bring land up to an acceptable geotechnical standard does not improve access to more affordable housing. Development capacity is in theory increased, but there is little benefit to those on lower incomes.

Finally, as a general observation, there is no specific provision for providing development capacity that meets the special housing needs of the Maori community (considering issues including but not limited to papakāinga and matters addressed at <http://www.mbie.govt.nz/info-services/housing-property/maori-housing-strategy>). This matter will doubtless be covered in housing assessments but the Council considers that policy direction on this issue would be helpful.

3. SPECIFIC SUBMISSIONS

Section 32 Report (refer also to submission on Regulatory Impact Statement at end)

The Council accepts that the purpose of a Section 32 report is to provide an evaluation of the appropriateness of objectives (to achieve the purpose of the Act) and effectiveness and efficiency of provisions in achieving those objectives, including identifying other reasonably practicable options. Nevertheless it would be expected that the problem definition in the Section 32 for this NPS would acknowledge and delve more into the analysis the report on housing affordability prepared by the productivity Commission in 2011.³ In that report specific attention was drawn to several factors, apart from land supply, which are profoundly affecting housing costs and affordability. These include

- High construction costs
- Land banking
- Development costs due mainly to difficult ground conditions across much of Christchurch
- Lack of competition in the building industry
- Developer imposed restrictive covenants which set high amenity standards.
- Tax advantages for investors.

The Council considers that the cost benefit analysis does not adequately take into account these and many other factors resulting in what is likely to be an over optimistic benefit calculation attributed to the provisions in the NPS. The analysis is, it seems, treating the urban land market as a closed system when it is patently not – it is the result of the interaction of many external dynamic market systems. Development capacity is an important first step but on its own is not the panacea for making housing more affordable.

³ New Zealand Productivity Commission Housing Affordability March 2012, Findings and Recommendations.

While the Council acknowledges that the Government is trying to tackle some of these, any initiatives to date appear to have had little impact.

Objectives

Objective Group A

These objectives are generally supported but need to be altered to be most appropriate to achieve the purpose of the Act. Policies PA1 and PA3 are very directive and there is no balancing policy in the proposed NPS. The consent authority must provide for the matters in PA1 and must, when considering resource consent applications relevant to urban development, provide sufficient development capacity. In the context of the King Salmon approach, it may be that resort to Part 2 of the Act will not be possible when considering those applications with such directive objectives. Amending OA2 as follows will go some way to correct this:

To provide sufficient residential and business development capacity to enable urban areas to meet residential and business ~~demand~~ **needs in a manner that minimises adverse effects on the environment.**

The amendment is also needed to complete the overarching framework for PA1, PA2 and PA3 as well as to better link these objectives with Part 2 of the Act. Furthermore the amendment reflects the reality that allocating urban development capacity or growth will invariably create adverse effects and that growth strategies seek to minimise these effects through avoiding, remedying or mitigating them. The meaning of effect in Section 3 of the Act enables decision makers to have regard to positive effects, as reinforced in PA3. Moreover the objective is silent on how 'affordable' development capacity is achieved.

The Council prefers the word 'needs' rather than 'demand'. The objective should recognise that all people need housing, not just those who are able to pay at a specific price, and there will be emerging needs that supply may or may not meet (see submission on housing assessments below). Consequently, the assessment housing under PB1 should be based on need, not demand.

The Council is not convinced OA3 is actually needed as OA1 and OA2 will result in urban change in any event. It potentially goes well beyond the scope of this NPS, and there appears to be no policies that depend on this objective. The Council therefore requests the following amendment

~~To enable ongoing development and change in urban areas.~~

Group B, C & D objectives generally

These objectives are not clearly targeted to urban development capacity, and lack clarity.

Objective Group B

The objective serves little purpose as the requirements under Section 32 of the Act demand this level of rigour in any event. It is not necessary to "frequently update the evidence base" on all issues in a district/region, e.g. outstanding natural landscapes. However the Council has no opposition to its inclusion.

Objective Group C

The Council has no issue with integration of land use and infrastructure planning. It is increasingly recognised in decision making under both the RMA and the LGA that there must be integrated

planning of infrastructure and development. The timing of provision of infrastructure and planning decisions enabling development ought to be co-ordinated and subject to long term planning. However, the timing of provision of infrastructure is for the Council to decide, having regard to all other demands on the Council's resources. All developers have the opportunity to submit on those LGA planning decisions.

The Council already needs to ensure that its assessment of options and decision making process addresses both the current and future needs of the community and weighs those matters with other relevant considerations including the Council's financial resources, and efficiency and effectiveness considerations. The Council considers that the thrust of the proposed NPS for alignment between infrastructure provision and provision for development capacity is not substantially different from current Council duties.

In terms of OC1, what are "responsive planning processes"? If that is what is contained in Objective Group D, then it doesn't need to be in OC1. The Council has difficulty with the term 'responsive planning processes' when these processes are set down in the Act. It submits that the words be amended to responsive planning ~~processes~~ **practices**.

To promote coordination within and between local authorities and infrastructure providers in urban areas, consistent planning decisions, integrated land use and infrastructure planning and ~~responsive planning practises. and responsive planning processes.~~

Objective Group D

OD1 appears to distort the purpose of the Act by seemingly directing that any urban development should be permitted in any location, irrespective of the impacts of that urban development. It is unclear as to its intent, although it appears that PD1 and PD3 may be particularly relevant in adding meaning. The Council considers that it is not the decisions that are at issue but planning processes and practices, if this objective is to remain the intent would be clearer if the word 'decisions' was replaced by **practices and methods**'.

OD2 is very open ended and begs questions around for what its purpose is.

Policies

Outcomes for decision making

The Council has significant concerns around the implications of PA1 and PA3 in relation to 'decision makers'. The definition of "decision maker" includes the consent authority when making a notification or a substantive decision under the RMA. There is no provision in the RMA that requires the consent authority making the notification decision to take into account the content of the NPS. Accordingly, it is unclear how the policies could be given effect to at that stage.

The Council submits that the first bullet point in PA1 is incomprehensible to the average reader. The Council assumes that it is referring to social and economic wellbeing.

The second bullet point in PA1 also problematic when it says 'having particular regard to *scarce urban land*'. Is urban land scarce everywhere in a city at all times? Again, the third bullet point requires a judgement as to what a 'competitive operation of land and development markets' looks like. The Council therefore seeks that this part of PA1 be deleted.

A rewording of the policy along the following lines would be more appropriate and aligned to the RMA and better achieve Objective A1:

Providing an urban form that ~~maximises the potential for social and economic exchange within the urban area~~

Enables new communities that have access to employment areas and social infrastructure.

minimises infrastructure costs,

enables transport choice, and

provides for the efficient use of natural and physical resources.

Evidence and monitoring to support decision making

With respect to PB2, locking assessments to the figures in Appendix A2 means the NPS will quickly go out-of-date. It would seem more appropriate to allow for updates to those projections by requiring the use of something like the latest Stats NZ medium growth projections.

PB5 requires Councils to monitor a number of matters, but does not provide direction on how those matters should influence the supply of development capacity.

PB1-PB3 Housing assessments

Housing assessments should be extended to mean housing *needs* assessments, so as to reinforce using such assessments to their fullest extent to be able to plan and develop policy options for a full range of household types and tenures. Even where the market may be able to meet demand with sufficient supply, which is certainly the case with Christchurch, this is often not the same thing as meeting housing need, especially affordable housing.

So-called 'market conditions' are in reality for those who can participate in the private market, rather than those whose social and affordable housing needs are not being met – a broader, 'housing continuum' approach (as is becoming more recognised by government) is needed for carrying out housing assessments and determining land release, as well as other regulatory and non-regulatory policies, when addressing housing issues in a comprehensive manner.

With a lack of other complementary regulatory, finance and other macroeconomic policies, land release itself will not increase the supply of affordable housing, which is the more pressing supply issue both now and into the foreseeable future. This means that more explicit affordable housing requirements need to be built in if a range of metrics are met for the rezoning and/or upzoning of residential land, if it is not to exacerbate current trends of housing inequality. The NPS needs to be both more definitive in terms of its affordability goals and more permissive in its approaches to assessing affordability if it is to effectively achieve its housing goals.

Obligations on Councils to collect data, monitor and review

PB5 requires the Council to monitor a range of indicators. While we are supportive of the need to monitor we are concerned by aspects of this policy.

- Firstly around the word of the first sentence "well informed about the market's response to planning". Monitoring should be broader than just the markets response to planning. We would recommend that this wording is removed and what is considered to be best practice indicators for the NPS placed in the guidance notes.
- Secondly is the issue of timing. The policy states "quarterly or as frequently as possible" this can be interpreted quite widely we recommend that the wording is changed to remove any mention of the timing.

- Thirdly the current policy is quite specific about what indicators should be monitored. We recommend that these are moved to the guidance notes or a best practice document that can be updated without changing the policy. There is a risk that by including specifics in the policy that overtime they are likely get replaced by better indicators, new data might become available or some of the data needed for these may no longer be available. We suggest that you include the aspects of residential and business activity that should be monitored and move the specific indicators to the guidance notes.

The result would read as follows:

“PB5: To ensure that local authorities are well informed ~~the market’s response to planning,~~ local authorities must monitor a range of indicators ~~on a quarterly basis, or as frequently as possible~~ that may include:

- **Housing and rental affordability**
- **Residential and business development activity**
- **Greenfield and infill capacity where relevant**

In addition, the lack of the guidelines being published at the same time as the NPS means that there is uncertainty around how each of these indicators should be measured and what they are proposed to show. If the policy does keep the list of indicators then we would be concerned with the current ones listed and would like to make the following changes.

The house price to income median multiple metric is on its own too narrow for a robust evidence base when considering releasing further land. As noted by the peer review of the NZIER report into the matter, whilst such land price triggers could help in the long run only if they are part of a wider package of solutions. They are also too tied to simplistic solutions of freeing up more greenfield land as favoured by some vested interests with no evidence of them working in a New Zealand context, especially when taking into account full externality costs and incentives to slowly develop such land in any case.

The other main drawback from relying on such a median multiple measurement is that it focuses discussion on inadequate incomes and inadequate supply whereas in reality it is more about inadequate housing (both affordability and quality) that is the key issue and which is not being delivered by the market. This in turn means that too narrow a range of options is then pursued to tackle housing issues. There is ample evidence to illustrate these points from house price rises occurring throughout the whole country in the early 2000s, with price growth being ahead of population growth and in areas where the supply of land was not an issue.

Other house price measures that can be used include the number of households at the 40th income percentile paying more than 30 percent of their income on housing costs (as used in the Christchurch Housing Accord) to provide a more nuanced measure of affordability in relation to supply.

There is also the measure of if a lower quartile house price (LQHP) is affordable for a median income household, i.e. paying no more than 30 percent of household income on housing cost. For Christchurch, a LQHP stood at \$382,500 in early 2016, meaning that it is borderline affordable, or as good as it gets, to purchase on a median income of about \$70,000 for the City within a low interest environment, assuming that standard deposit and bank lending criteria can be met. The 30 percent rule can also be used for all tenure types, which points to the importance of monitoring the affordability of private rental accommodation.

Further evidence may be available from the *Household incomes in New Zealand* (2014) report, which shows nationally that of households below the 40th income percentile, 39 percent pay more than 30 percent of their incomes on housing costs.

In addition, a more comprehensive picture is likely to be gained when taking account of types of demographic growth and demand, especially around an ageing population and smaller household sizes across a range of household types, household income distributions, tenure trends, and cultural requirements. In short, land supply needs to be informed by a range of indicators that reflect a range of potential housing requirements.

The indicator that includes “the number of resource consents granted ... relative to the growth in population” is a meaningless measure unless it specifies the types of resource consents to be included. Useful information from resource consents could include the following:

- The number of new sections approved or applied for in subdivisions consents.
- Resource consents that enable large single dwellings to be split into multiple units.
- Resource consents for additional units i.e. family flats.

Responsive Planning

Policies PD2 and PD3, which apply to a “local authority” as defined in the RMA, require consideration of options for enabling sufficient development capacity, including “customer-focused” consenting processes and conditions of resource consent.

Policies PD2 and PD3 respectively seek that:

- *A local authority must consider the following to enable sufficient development capacity to meet residential and business demand:*
- *Consenting processes that are customer-focused and coordinated within the local authority; and*
- *In granting consent, the conditions of consent imposed.*

And

- *Local Authorities must consider the following responses:*
- *In the short term, further enable development through customer-focused consenting processes...*

Three key themes emerge, which are covered in turn below.

Coordination of consenting processes

In respect of consent processes being coordinated within the local authority we support this in principle and note that it does reflect best practice and is certainly something that we are striving to achieve.

Consent conditions

The Council’s concern is that the proposed process requirements do not align well with existing RMA processes. For example, it is not clear in respect of conditions what type or nature of conditions are viewed as problematic and should be avoided, nor what additional conditions should be included that would be consistent with enabling development capacity. Further, the Act already includes sections 108 and 220 that deal with consent conditions and there is an established body of case law around such. The Resource Legislation Amendment Bill also proposes changes to this framework,

and it is considered that that process is more appropriate than an NPS for this purpose. For these reasons, we consider that this policy will add little value to the process and only serve to create confusion and hence result in increased costs and delays for applicants where such matters are debated at the consent authority level and potentially through the courts. Accordingly, it is our submission that this reference to conditions be removed from the proposed NPS.

Customer-focused processes

“Customer-focused consenting processes” is not defined in the proposed NPS and the Council has seen no explanation of that term in either the cost benefit analysis or the Regulatory Impact Statement for the NPS. The “customer” for a consent authority is undefined.

Consent authorities can have a myriad of customers, with different and often competing aspirations. Indeed the very purpose of the Act references *people and communities*. A consent applicant can be one of several customers in a development process, and it could be equally argued that customer focused could also apply to other customers. The NPS should be easy to interpret without ambiguity or interpretation required for meaning and intent.

Notwithstanding the need for clarification, taking the presumed *applicant* meaning of the term, we consider that there is unnecessary duplication between policies PD2 & PD3 in their reference to customer-focused processes.

Second, the Council submits that such references suffer from significant uncertainty as to what a customer-focused process looks like. In this regard the Act itself provides specific guidance as to the consenting process, which is complemented by an established body of case law. Further, a consent authority is charged with assessing an application on its merits, without being an advocate for an applicant or a development. In the *Understanding Urban Environments* section within the consultation document it talks about *if done well* and *without good planning*. We submit that, notwithstanding the lack of clarity, a possible interpretation of a customer-focussed approach has the potential to prioritise process at the expense of quality outcomes.

Pursuant to section 104(1)(b) the provisions of an NPS are a matter to which a consent authority *must have regard*, and within this the NPS directs that consent authorities *must consider*. When balanced with the other necessary considerations under the Act it is difficult to see how these policies will have a real effect, or result in any consistency across consent authorities. We submit that reference to customer-focused processes lack sufficient clarity to make any meaningful difference, and accordingly, we are concerned such policies will only serve to create potential delays and increased costs as debates are had as to its merits at both the consent authority level and through the courts. We therefore submit that if such customer-focused processes are sought they are clarified in detail and incorporated into any future changes to the Act itself. Alternatively, we would see such process requirements being more appropriate through national best practice guidance via the Ministry for the Environment or Quality Planning. If the intent of the policy is that consenting processes, excluding consent authority decision making, enable development, then changes should be made to the policy to better reflect that.

PD4 is not helpful in the Council’s experience, and is the antithesis of providing more affordable housing. There are numerous factors Council’s consider when allocating development capacity including natural hazards, implications for infrastructure, Section 6 and 7 matters and reverse sensitivity issues. Having ‘particular regard’ to providing development capacity in locations of highest demand will just be ‘another’ consideration within the context of these other matters. Moreover if weight was given to this policy it is likely to favour house seekers who are, for example looking to

locate in a certain school zone or some other 'upmarket' location. The converse is that it could be counter to stimulating investment in urban areas having 'low demand'.

Another question is how Councils are to know 'what is feasible'? Commercial viability, costs, revenues and yields can be localised to the extent that only one or two developers/investors will have the necessary information⁴.

There appears to be a lack of integration between PB1-PB5 and PD5-PD9. PD5-PD6 requires Regional Councils to set minimum targets by 2018 or earlier based on housing assessments required under PB1, also by 2018. When targets in the RPS are insufficient to meet demand, the RPS must amend these targets in accordance with its housing assessment. Under PD7 –PC9 local authorities are to prepare strategies, also by 2018. In practice, additional time will be required to formulate the appropriate response to the assessment and develop amendments to the RPS & Plans, including development of appropriate ODPs for greenfield areas.

4. SUBMISSIONS ON SUPPORTING DOCUMENTS

The RIS contains a number of assumptions and statements that we consider do not bear close scrutiny. In the first instance, not assuming any limits on resources such as infrastructure in its modelling, other than identifying a 'residual risk', is highly questionable given the challenges related to funding, delivery capacity and synchronising with development.

When it comes to its cost-benefit analysis, whilst the RIS analysis identifies some transport externality costs, it is questionable if these and others can be overcome in what is often greenfield rezoning as the analysis seems to imply. Such externalities include infrastructure costs, congestion, pollution, roading maintenance, a more fragmented public transport, and car dependency, most of which (in contrast to the RIS emphasising localised effects) will result across the broad urban area and its population. This raises questions as to the types of development capacity that should be pursued which are left unaddressed by the RIS and the NPS.

The assumption that attributes expenditure government on accommodation supplements to limited development capacity is misleading. There are a range of factors contributing to such expenditure, including the accommodation supplement effectively acting as a subsidy for landlords rather than tenants, falling levels of home ownership and pressure to maintain rental yields. It should also be noted that of the \$2m spent on accommodation subsidies, \$1.2m is on the accommodation supplement itself and \$0.8m on the income related rent subsidy for social housing, of which the latter is not well supplied by the market in any event.

The conclusion of the analysis that further development capacity will primarily result in benefits, direct or otherwise, to new entrants – i.e. first home buyers – to the housing market is divorced from empirical reality. There is very little, if any New Zealand evidence from an urban environment that freeing up more land results in more affordable housing being built for a range of reasons, including well-documented developer incentives to slowly release and develop such land under current policy settings. This strongly implies that development capacity alone will not meet all of the NPS goals given the market alone will not deliver affordable housing.

⁴ A description of the challenges and methodologies is can be found in the evidence in chief provided by Will Blake, Valuer, to the Independent Hearings Panel, Christchurch Replacement District Plan 8 June 2016, p4-15.

To its credit, the RIS does acknowledge that regulatory change alone *may not* (its words) overcome market and regulatory failure in improving development capacity. It also correctly observes that the NPS cannot address the potential social costs from infrastructure provision and use.

5. DEFINITION OF TERMS AND TERMINOLOGY

Main Urban Area

The Statistics New Zealand (SNZ) Christchurch main urban area is considered a high growth urban area under the proposed NPS. However, the areas of highest growth in the Greater Christchurch area are classed as minor urban areas in the 2013 census and fall outside the focus of the proposed NPS on main or secondary urban areas.⁵

The SNZ Christchurch main urban area does not include the rapidly growing towns of Rangiora and Woodend/Pegasus in the Waimakariri District, and West Melton, Rolleston and Lincoln in the Selwyn District. These are not only areas of increasing housing growth but also of increasing transport growth: over 20 percent of the population of a satellite urban community commutes to work in the main urban area.⁶

These towns need to be included in any strategic assessment of high growth areas, regardless of their urban classification. All high growth areas are included in the Greater Christchurch Urban Development Strategy as part of a single metropolitan commuter, household and job catchment area.⁷

The benefits of using the Greater Christchurch metropolitan area for planning, consultation and reporting are:

- The area is already identified in current legislation, policies and strategies.
- The area includes the high growth parts of Selwyn and Waimakariri districts.
- The area has been used since 2006 for collaborative urban growth management between authorities.
- The area includes the majority of the commuter population for Christchurch.
- The area is consistent with the urban limits in ECan's Canterbury Regional Policy Statement chapter 12a (illustrated in attached map).

High and Medium Growth Urban Areas – Projections to use

⁵ PC1 of the proposed National Policy Statement (NPS) requires local authorities and infrastructure providers 'that share jurisdiction over a medium or high-growth urban area' to collaborate together in planning, consulting and reporting on urban development. A 'high growth urban area' is defined as being as a main or secondary urban area with a medium projected population growth of over 10 percent in the next ten years, (provided that a secondary area has a population of over 30,000 residents and visitors).

⁶ In its Urban/Rural Profile (2004), Statistics NZ noted the limitations with the urban classification: 'The existing classification grouped urban areas by population size, regardless of their proximity to New Zealand's main cities.' (Brian Pink, Government Statistician, 'Preface'). That report proposed instead to identify major urban areas and satellite urban communities based on population and commuting patterns. Lincoln, Rolleston, Leeston, Woodend, Oxford, Rangiora and Darfield were specifically identified as satellite communities to Christchurch (p 47). Statistics NZ, 'New Zealand: An Urban/Rural Profile', Statistics New Zealand Te Tari Tatou, Wellington, 2004.

⁷ UDS, 'Greater Metropolitan Christchurch Urban Development Strategy and "UDS Forum – Terms of Reference" Scope, Structure and Process', 12 March 2004, s 1.4, s 2.2

It is better to use the Statistics New Zealand household projections rather than the population projections as housing is provided for households rather than individuals. The same criteria for determining the high and medium growth areas can still be used (Appendix 2). In most cases household growth rates are actually higher than population growth rates.

Also the period used should actually be the 2018 to 2028 ten year period as by the time the NPS is finalised and then when the housing needs assessments need to be produced we are closer to that projection period than the 2013 to 2023 period. This means the assumptions are more useful in the longer term.

Infrastructure

This definition should also include social infrastructure such as community facilities open space and schools.

APPENDIX 1

CHRISTCHURCH CONTEXT

The Council, neighbouring local authorities, and current and previous regional agencies in Canterbury have a long history in monitoring development capacity in and around Christchurch as part of sub-regional growth planning, most recently through the Greater Christchurch Urban Development Strategy. This work underpinned the Land Use Recovery Plan which was the key planning instrument that assisted Christchurch and its adjoining districts to quickly replace the housing that had been lost during the Canterbury Earthquakes.

The main tool used by the Christchurch City Council in tracking development capacity is the vacant land register which has been maintained since the 1980s. Over the past three decades the Council has developed increasingly sophisticated tools for assessing development capacity including a growth model that is able to estimate and forecast capacities and future needs in areas with potential for intensification and redevelopment. Since 2011 the Council has prepared quarterly reports on progress in providing 'shovel ready' sections.

These tools have enabled the Council to maintain an adequate amount of zoning (both residential and industrial) except for a period in the late 1990s during the City Plan process. Since the decisions were released on the operative City Plan in 1999 there have been frequent and sizeable additions to the land supply through Environmental Court decisions, Council plan changes, proposed changes to the Canterbury Regional Policy Statement, private plan changes, and the Land Use Recovery Plan (LURP). Additional capacity is also being proposed through the Proposed Replacement District Plan.

At the current time there are approximately 1500 hectares of greenfields development the within the projected infrastructure boundary in Christchurch City urban area, with approximately 400 hectares more that will be rezoned through the Replacement District Plan. Assuming above average annual rates of take up this is sufficient to provide adequate supply and choice for new sections until at least 2028. In addition there is capacity for over 14000 households through intensification and redevelopment which is sufficient to meet anticipated demand until 2028.⁸ There is also an estimated 20-30 year supply of industrial land.

Importantly, these additions to development capacity have been in accordance with city and regional growth strategies and area plans, and have been integrated with Strategic Infrastructure Programmes of both the Council and NZTA. Interestingly, and relevant to the underlying driver of the NPS, there has been an urban limit operating in Christchurch since 1955 as part of growth management, with little evidence of this instrument being responsible for driving up house prices over that period. The Council has also been very active in providing and managing social housing over many years. All this experience enables the Council to provide some very authoritative feedback on the proposed NPS.

A BRIEF HISTORY OF THE PROPERTY MARKET POST REBUILD:

Immediately after the earthquakes there was a housing shortage due to:

- Damaged houses being vacated for repairs or because houses were uninhabitable
- The government's buy up of residential red zone
- Businesses were relocating business activities to houses in some cases

⁸ The precise capacities and demand are difficult to forecast because of the sensitivity of calculations to assumptions on both supply and demand.

- Rebuild workers arriving

A combination of reduced supply and increased demand resulted in rental and house price increases. Under the provisions of the CER Act, greenfields land in the UDS was bought forward for release and development. The accelerated release of residential subdivisions has eased housing market growth rates. New to the residential market is the “As Is Where Is” property. The Canterbury Development Corporation (‘CDC’) is researching this area and initial data suggests it could be as high as 7 per cent of the total residential market (note this excludes any properties in the residential red zone).

Research by the CDC suggests that housing affordability as one important factor in attraction and retention of people and investment. However it found that affordability is linked to the relationship between average wages and house prices, suggesting that development capacity is ineffective in the absence of other measures to close to wages – house price gap.

MBIE forecasts suggest that the City can expect a short-term oversupply of residential property during rebuild processes, but that the market should return to normal market conditions by 2020.

Industrial and commercial developments lagged residential, have grown strongly over the last year but are showing signs of easing. Evidence given to the Independence Hearing Panel at the Stage One Commercial and Industrial hearing is that there is sufficient industrial and retail capacity that the Replacement District Plan does not need to focus on providing additional capacity for retail.

APPENDIX 2 - Household and Population Projections for Great Christchurch Councils by the Area inside and outside the UDS

Population Projections

Year	Christchurch City			Selwyn District			Waimakariri			Three Tas			New Zealand Total
	UDS	Not in UDS	Total	UDS	Not in UDS	Total	UDS	Not in UDS	Total	UDS	Not in UDS	Total	
2013	353,600	3,200	356,700	34,400	12,300	46,700	40,100	12,200	52,300	428,100	27,700	455,700	4,442,100
2018	376,200	3,200	379,400	45,200	13,400	58,500	47,100	13,400	60,500	468,500	30,000	498,400	4,738,400
2023	389,800	3,300	393,100	50,600	14,000	64,600	50,300	14,300	64,600	490,700	31,600	522,300	4,948,800
2028	402,700	3,400	406,100	56,200	14,700	70,800	53,400	15,100	68,500	512,300	33,200	545,400	5,152,900
2013-2023	10%	3%	10%	47%	14%	38%	25%	17%	24%	15%	14%	15%	11%
2018-2028	7%	6%	7%	24%	10%	21%	13%	13%	13%	9%	11%	9%	9%

Source: SNZ Subnational Population Projections 2013 base released Feb 2015; National Population projections 2014 base, released November 2014. National Estimated population 2013

Household Projections

Year	Christchurch City			Selwyn District			Waimakariri			Three Tas			New Zealand Total
	UDS	Not in UDS	Total	UDS	Not in UDS	Total	UDS	Not in UDS	Total	UDS	Not in UDS	Total	
2013	136,900	1,400	138,300	11,500	4,300	15,900	15,100	4,500	19,600	163,500	10,200	173,800	1,648,500
2018	147,000	1,400	148,400	15,400	4,800	20,100	18,200	5,100	23,300	180,600	11,300	191,800	1,782,700
2023	154,000	1,500	155,400	17,600	5,100	22,700	19,900	5,500	25,400	191,500	12,100	203,500	1,885,400
2028	160,700	1,500	162,300	20,000	5,400	25,400	21,500	6,000	27,500	202,200	12,900	215,200	1,982,600
2013-2023	12%	7%	12%	53%	19%	43%	32%	22%	30%	17%	19%	17%	14%
2018-2028	9%	7%	9%	30%	13%	26%	18%	18%	18%	12%	14%	12%	11%