

## Proposed National Policy Statement on Urban Development Capacity

### SUBMISSION

The Minister for the Environment and for Building and Housing has invited submissions on the proposed National Policy Statement on Urban Development Capacity.

Email submissions to: [npsurbandevelopment@mfe.govt.nz](mailto:npsurbandevelopment@mfe.govt.nz).

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Please ensure that all contact details are removed from this submission before publication.

## Introduction & Background

1. This submission is made on behalf of Ockham Residential, a privately owned Auckland based residential property development company.
2. Formed in 2009 by Mark Todd & Benjamin Preston, Ockham Residential has completed \$140M of medium density development in Auckland and has a further \$150M underway and due to begin this calendar year.
3. Ockham Residential is Auckland's most progressive developer. We are urban regenerators, we love Auckland, and we want to see Auckland's urban built environment become as beautiful and as world class as its natural landscape.
4. We aim to lead by example, creating beautiful buildings from durable quality materials that age gracefully and minimise ongoing costs.
5. Our approach to building design emphasises durability, liveability and community – we take into account the long term cost of ownership, and design for ongoing sustainability
6. Our unique approach to development of medium density sites in Auckland has earned us many admirers and supporters.
7. We have strong relationships with Auckland Council and have been selected to work with both Hobsonville Land Company and Panuku Development Auckland.
8. In December 2015, after a national tender process, Ockham Residential was appointed by the Ministry of Business, Innovation and Employment ("MBIE") as its first ranked developer (of three) on the medium density panel formed by MBIE in respect of its process to facilitate development of vacant and under-utilised Crown land in Auckland.
9. Ockham Residential is also a panellist with the Tamaki Redevelopment Company.
  
10. Our submission on the National Policy Statement on Urban Development Capacity is made in the context of our interest in seeing Auckland continue to grow and develop as a world class city.
11. This is only possible if the people we need to bring that city to life - teachers, nurses, policemen & women – can afford to buy and rent quality homes in that city.
12. Our comments are deliberately Auckland-centric; we operate only in Auckland and have no current plans to move beyond that sphere.
13. Similarly, our comments focus on medium density developments in brownfields areas, as that is our area of specialty and in our view, the real opportunity for increasing desirable housing supply in Auckland.
  
14. Ockham Residential is broadly supportive of the conceptual framework behind the National Policy Statement on Urban Development Capacity ("NPS"). We do however have a number of comments regarding areas which we believe need to be addressed.
15. These are set out below.

## Matters within the NPS

16. **Objective PA 1** is the heart of the purpose of the NPS.
17. We submit that PA1 should specifically address affordability, however that concept is defined.

18. Almost as important as affordability, and inescapably intertwined with it, is the concept of allowing for the provision of appropriate housing topologies to match both the current, and the projected, demands of the population.
19. To reflect this, we submit that the last bullet point of PA1 could be altered to read:

*Enabling the competitive operation of land and development markets in a manner that allows for the reliable supply of affordable residential dwellings in a range of topologies and locations to meet the demographic needs of the current and projected population.*
20. **PB1** notes that “local authorities must have regard to the benefits of publishing the assessments under policy PB1”.
21. We believe that local authorities should be directed to publish the assessments and to seek market feedback, particularly as to the commercial viability of areas identified as being available as development capable areas.
22. Publication should also include assessments local authorities have made of how many housing units can be accommodated on the identified capacity; the market will know if the demand exists in the areas identified for housing units of that nature.
23. **PB1** requires that a Housing Assessment of demand and supply be carried out on a regular basis.
24. We support the requirement for this but note the considerable difficulty in assessing demand, particularly unmet demand.
25. Analysis of household demographics and income levels can provide an indication of the size of properties which will be suitable for a given population, and household income data provides an indication of the price points which will be ‘affordable’ for a given population.
26. It is more difficult to identify the locations which will be deemed desirable by a given population.
27. It might be possible to gain an understanding of this driver through sentiment surveys; however it also probably fair to assume that existing suburbs which see considerable price gain are those defined by the buying market as desirable.
28. Given the challenge which the data collection and analysis presents, the number of local authorities who will have to meet this challenge, and the possibility that exists to generate widely variable outcomes by small variances in the inputs, we suggest that central government should develop the methodology for this process.
29. This would avoid expensive duplication across a complex process.
30. Input should of course be sought from local authorities and local experts, particularly with regard to the definition of desirable locations.
31. Determination of ‘available supply’ will also have to grapple with the issue of **under developed land**.
32. By way of example, the Ponsonby end of Auckland’s Great North Road has almost no bare land sites; but over the past two years, around 125 housing units have been completed or are under construction in the stretch from No 1 to No 375 Great North Road.
33. This has occurred as four former car yards have been converted into apartment buildings.
34. A casual stroll along the first 2km stretch of this road identifies at least a dozen other sub-optimal uses of reasonably sized pieces of land – more car yards, a towing storage yard, low rise

- commercial properties in poor condition, a historic building in poor repair used as a boarding house, a low density Housing New Zealand site.
35. Some sites are on the market looking for a buyer; some have recently been sold to developers; others are held by long term owners with no plans to develop or alter existing sites and tenancies.
  36. Collectively these sites could represent several hundred potential dwellings under current zoning rules, still more under more permissive rules; or, as none of the sites are bare land, none.
  37. The NPS should address how can potential housing supply such as this is taken into account in the assessment of supply in existing suburban locations.
  38. It would not be easy to do, and yet the untapped opportunity in locations such as Great North Road – on a ridge line, close to the city, with established infrastructure in place such as great transport links – is a key piece in the housing supply puzzle.
  39. As a possibility, local authorities could be required to define these key potential development areas, and use a frame by frame review of current aerial photos, cross referenced with recent consent & building completion data to identify potential development sites.
  40. Development of such under-utilised sites could then be encouraged through a ‘carrot and stick’ approach - applying higher rates in such areas to recognise under-utilisation and encourage further development, combined with reducing the cost of development contributions in areas where increased intensification is encouraged.
  41. **Short term** is defined as three years in the NPS.
  42. There are multiple stages in high and medium density development - land purchase, site solution development, feasibility testing, development of architectural drawings for resource consenting, resource consent processing, marketing, financing, preparation of building consent drawings & application for building consent; building consent processing and finally, construction.
  43. The more complex the development and the greater the number of units, the longer the total time scale.
  44. Accordingly, bringing a single medium density development from concept to delivery of housing units ready for occupation can easily span a three year period from start to finish.
  45. A high density building would easily span a five year period from land purchase to construction completion.
  46. Greenfields developments of any scale will involve the same processes, plus (in most cases) establishing infrastructure, including essential infrastructure not within the ambit of local authorities such as power and telecommunications.
  47. For this reason we submit that “short term” should be defined as five years, at least in those areas defined as high growth urban areas.
  48. **PB2** requires that *“In carrying out the assessments required under policy PB1, local authorities must have particular regard to demographic change, including population growth and household size projections.”*
  49. We support this. Changing demographics means changing needs in housing topologies.
  50. With 1 and 2 person households projected to represent over 50% of Auckland households at some point in the next two years, one and two bedroom housing options in affordable price points, but with reasonable proximity to amenity – that is, in existing suburbs - will be (indeed, already is) in significant demand.

51. Releasing land on the outskirts of Auckland and allowing for construction of 3-5 bedroom townhouses will not satisfy this demand, and prices in suburban locations will continue to increase unless supply increases in those locations.
52. Intensification is the only way to increase available capacity in existing suburbs, and the NPS should specifically address this point.
53. **PB4** requires that *"in carrying out the assessments required under policy PB1, local authorities must consult with infrastructure providers, community and social housing providers, the property development sector and any other stakeholders as they see fit."*
54. We support the requirement for consultation with the property development sector as well as other stakeholders, as commercial input is essential to allow testing of assumptions around feasibility and market demand.
55. While local authorities obviously always need to observe requirements around probity, local authorities need to devise ways to inject practical market experience into their resource (and building consent) planning processes and policy settings.
56. Options might include establishing consultation panels of developers, or seconding local authority staff to work in development businesses, architectural practices and the like, to experience first-hand the practical process of devising and delivering dwellings.
57. **PB5** sets out a range of variables that local authorities should monitor.
58. We support the proposed list and would add to or amend the list as follows:
  - a. The number of dwellings available to buy and rent in a range of locations, typologies and price points;
  - b. The actual and the rate of increase of house prices and rents in a range of locations and typologies (underlined words are proposed amendments).
59. We note that collection and analysis of this data will take time, systems and analysis to generate.
60. Multiple local authorities will need to develop methodology and systems for the collection, and analysis and reporting of this data.
61. We suggest that there is a role here for a centralised authority such as the Reserve Bank who are also engaged in the analysis of housing price data, and with experience in the methodology necessary to adjust for variables that impact on house prices other than price inflation (such as increased house size, for example).
62. **PD2** and **PD3** require that local authorities should consider a range of responses when it appears that supply and demand are in imbalance.
63. These responses include *"Consenting processes that are customer-focused and coordinated within the local authority;"*.
64. We submit that local authorities should have this as an objective regardless of the state of demand and supply in a local area.
65. We also submit that local authorities should be required to give regard in consenting processes to co-ordination with Council Controlled Organisations; in Auckland this notably includes Watercare.
66. Suggestions for ways in which consenting processes are made user friendly include:
  - a. Providing ample resource to enable expedited processing;

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- b. Key account management for larger projects and builder, with Key Account Managers having sufficient empowerment to second resource, co-opt decision makers from other areas, and make determinations that expedite processing times or resolve issues when they occur. This was a notable positive feature of the Housing Project Office when consenting was incorporated in this department.
67. While the Building Act is not within the scope of the NPS, and it is under this Act that building consents are issued, such consents are of course an essential pre requisite to development feasibility and time scale.
68. The issue of development capacity supply cannot be considered in its entirety without considering the process and potential costs of the building consent process.
69. Local authorities should also be directed to consider the issue of building consent processing in this context and / or the process should be centralised.
70. **PD3** also requires that local authorities consider the issue of *"In granting consent, the conditions of consent imposed."*
71. While we support this, again we submit that local authorities should have this as an objective at all times.
72. We also submit that conditions imposed should specifically consider their impact on the timing of construction and expediting of its completion, such as making opportunities for extended hours, weekend and winter work available as a default option.
73. **PD5** directs that local authorities should provide for a margin of at least:
- 20% over and above projected short and medium term demand; and
  - 15% over and above projected long term demand.
74. In developed urban areas such as Auckland, future development will tend to occur as (relatively) low density housing in greenfields locations, or as medium to high density development or redevelopment in 'brownfields' locations.
75. Greenfields locations generally require that infrastructure (including infrastructure not within the ambit of local authorities such as power and telecommunications) be established to service dwellings in the area.
76. This takes time, and increases cost, both of which impact significantly on feasibility as well as on timing of likely or possible supply.
77. In addition, a scale development requires all the steps described at point 42, with the additional challenge of funding infrastructure projects of significant duration.
78. With scale developments in either brown or green fields locations, the timeline to development is significant and must be taken into account when assessing availability of supply – the 'when' is as important as the 'what' and the 'where'.
79. We submit that, given the challenges of both time and feasibility, a supply margin of considerably more than 15% or 20% is required to generate significant spare capacity, and that the margins should be more like 50% - 75%.
80. Local authorities must also be directed to test their assumptions around supply with the property development market to provide a 'reality check' on the essential assumptions of feasibility and likely timing of any given supply being market ready.

81. **PD7** requires that local authorities must “*provide a future land release and intensification strategy*” to demonstrate the necessary capacity will exist in the medium to long term.
82. We support this requirement to consider the long term growth needs of urban areas – planning should be focused on the likely requirements at least ten to twenty years in the future as it takes that long to accurately respond to signals.
83. We particularly support the need to include intensification in the growth strategy of urban areas.

### **Additional matters**

#### Additional Measurement

84. We submit that there are additional data points which local authorities need to have visibility of in order to support the objectives of the NPS, which are not currently measured (or if they are measured, are not necessarily widely published).
85. One of these is the total time elapsed between start and finish of consenting processes – both resource consents and building consents.
86. Currently the measure of the statutory timeframes of time taken to process a consent includes only the working days when the “clock” is on for processing.
87. That is, the count of days elapsed stops when a question is sent to the submitter, and remains stopped until the response is received.
88. The total time elapsed between lodgement of a consent application and issue of a decision can therefore be (and generally is) considerably longer than the measure of days taken to process a consent.
89. We do not suggest measurement of this as a punitive measure with targets attached, but in order to provide local authorities and central government with better visibility of the actual time frame taken in processing of consents.
90. An understanding of this timeframe is essential to the prediction of availability of supply which underpins the NPS, and we submit is therefore an essential component of it working as envisaged.
91. We also recommend that local authorities create linkages between resource consents and the associated building consents, and monitor – again for visibility purposes – the time period that elapses between issue of a resource consent and lodgement of the associated building consents.
92. There are myriad reasons why a significant time period may elapse between the two events, including marketing and financing processes, almost all of which are not within the ambit of local authorities.
93. Again we submit that the timeframe should be measured, not as a punitive measure, but to provide a missing data point which is important to estimating the timing of supply coming to market.
94. Measuring this relationship and timeframe would also enable local authorities to better estimate when an increase in resource consents will result in an increased number of building consent applications and subsequently, need for resource in those areas.
95. We note that this analysis needs to take into account the nature and scale of those resource consents – i.e. greenfields vs. brownfields, infrastructure status (local authority & others), number of dwellings, type of housing stock etc.

96. Local authorities should also measure completion rates and timeframes for building consents – that is, the number of building consents which result in a completed dwelling or dwellings, and the time taken between issue of building consent and issue of the Code Completion Certificate.
97. It should also be possible for local authorities to interrogate historic data to provide a measure of historic conversion rates.
98. This combined data set would provide current conversion rates, an insight into how that compares with previous completion rates, and a predictor of the timing of future supply in the short term.
99. This analysis would again need to identify and measure the data on the basis of key variables including scale, nature (greenfields / brownfields), density etc.

#### Data fragmentation

100. As a related issue, we note that data is fragmented in multiple locations – multiple local authorities, LINZ, Statistics New Zealand, private organisations such as REINZ and realestate.co.nz – and suspect it is also in multiple systems.
101. There is a short term need to bring all of this data together into a single location to provide decision makers with the data required to give an accurate picture of the multiple variables which are in play in this essential market.
102. This is clearly a role for central, not local, government.

#### Monitoring & Enforcement

103. Finally, while we support the objectives of the NPS (subject to our comments above), the missing link is enforcement.
104. Intensification is an issue which raises emotional responses at local level.
105. Expanding infrastructure costs money. Where this is funded directly by the developer, the costs are reflected in the cost of the finished product; where it is funded by local authorities, that is (currently) reflected, or perceived to be reflected, in increased rates.
106. Intensification and infrastructure are both fundamental to expanding housing supply, and both are issues on which local body political campaigns are built – often at the expense of the needs of future ratepayers in favour of those currently voting.
107. It is clearly the case in Auckland currently that the views of a significant segment of the local electorate is opposed to the intensification necessary to allow the supply of housing in typologies that meet the social and demographic requirements of Aucklanders, at price points they can afford, and in the locations that they want to live.
108. Implementing the view of the majority is of course the fundamental precept of democracy.
109. However, a situation where the needs of a future majority (currently too busy at primary school to vote) are in conflict with the desires of a current voting majority might be called a democratic deficit.
110. Implementation of the NPS must address the question of how the consequences of failing to deliver on the objectives of the Policy Statement can be of sufficient consequence for elected local councillors to outweigh the natural response to a democratic deficit of this nature.