

4 July 2016

File Ref: 65-15-435
Doc No: RDC-646298

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NPS Urban Development Capacity
Ministry for the Environment
PO Box 106483
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Dear Hon. Nick Smith,

SUBMISSION OF ROTORUA LAKES COUNCIL ON THE PROPOSED NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT CAPACITY

Thank you for the opportunity to provide input into the development of the National Policy Statement on Urban Development Capacity. This is an important document and will have a significant impact on the way territorial authorities respond to development pressures, carry out their functions and work with regional councils. The submission of Rotorua Lakes Council (RLC) is intended to highlight the Council's concerns and hopefully the points made will contribute to the refinement of the final Statement.

Executive Summary

RLC takes issue with the classification of Rotorua District as a low growth area. Rotorua sits within one of the highest growth areas of New Zealand, and is currently experiencing significant inwards migration and investment, at variance with the picture projected in the Statement. RLC is somewhat uncomfortable with the lack of discussion on demand as part of this Statement and also its failure to address landbanking. Further, tourism is a major economic driver in the district and this aspect has not been taken into account in the Statement's definition of demand.

Definition of urban growth areas

The NPS contains a tiered approach to different urban areas. Rotorua is in the third group of urban areas: "Other main Urban areas". In fact Rotorua is second from the bottom overall, with population growth projected at 0.7%, just above Whanganui at -1.5%, based on Stats New Zealand statistics from 2013.

This classification needs to be taken issue with because:

- It is a linear extrapolation from historical trends, and does not take into account potential disruption such as the growth now occurring as a result of overspill from Tauranga and the market heat spreading out from Auckland.
- It takes little account of potential changes arising from initiatives to promote growth, partly in response to the conservative figures from Statistics NZ. The Rotorua Spatial Plan under preparation is one example of an initiative RLC will use to promote growth.
- The statistics use 2013 as a base year when the NZ and Rotorua economies were still emerging from the GFC, at the bottom of the economic cycle and therefore could be considered an 'abnormal' starting point.

- Formalisation of such growth rates into Government documents, even when having little practical impact on growth or constraint of that growth in Rotorua; is undesirable because it may be repeated and get embedded into other government documents that do have an impact on growth in the District, for example NZTA, Health provision etc.
- RLC is basing its planning on significantly different figures that were developed by BERL as part of detailed strategic planning carried out over the last 2 years. These growth assumptions have been accepted by the Bay of Plenty Regional Council and incorporated into the Regional Policy Statement.

Wider context

Flow on effects from Auckland are being felt in Hamilton and Tauranga and have driven greater planning efforts around the Upper North Island Strategic Alliance (UNISA). Rotorua, though slow in starting, is also a major centre within this triangle and therefore the focus should be on management of growth across this area as a whole, not various selected urban areas within it. Effecting that coordinated growth across this area requires the preparation of a spatial plan for the Upper North Island.

Tourism

Rotorua is a premier international tourist destination, and is currently experiencing significant growth in tourist numbers. On any given day there are over 10,000 tourists staying in the District. RLC queries how 'demand' as defined in the NPS should take account of tourist numbers. There is increasingly an indirect and complex relationship between tourist numbers and beds and therefore temporary accommodation required due to the rise of technologies such as AirBnB where some demand is channelled off into existing residential use.

Further, depending on how tourism numbers are factored into 'demand', spikes in tourism numbers may temporarily propel an urban area into medium or high growth urban area status. If an urban area such as Rotorua area is thus re-categorised, largely on the basis of tourist growth – will this trigger application of the policies for such urban areas?

Infrastructure

There appears to be a disconnect between the need to provide capacity and the ability to service and fund new areas for urban development. The NPS does not seem to be aligned with the processes to plan and fund new infrastructure under the Local Government Act 2002, resulting in reactive infrastructure planning, with the potential for costly and inefficient systems.

Legal Risks

In some instances the drafting of the provisions of the NPS is ambiguous. It is assumed that this was intended to provide Councils with flexibility in applying the NPS to local circumstances, but this also leaves scope for legal challenge. For example, how would the NPS be weighed against new subdivisions or Plan Change proposals seeking to provide capacity over and above the analysis of Council under the NPS, or in a different location. It is expected in these circumstances the NPS itself including the wording of policies and objectives would attract litigation, in addition to the method of its application by Council.

Supply and demand

It is acknowledged supply has an impact on price growth and affordability. However supply does not exist in isolation but works in tandem with demand, and RLC would like to have seen discussion and analysis balanced with the way demand interacts with supply to produce the relatively high prices New Zealand is currently experiencing. It could be argued that demand, as a factor of low interest rates, investor demand and landbanking could be as much if not more behind price growth as supply constraints. Further justification behind the concentration on supply or more discussion on the impact demand has on price would give greater balance and credence to this document.

Landbanking

Landbanking needs to be tackled as part of any strategy. There is not much point creating extra supply if the landowners are unwilling to release that land. Considerable effort can be expended by Councils to determine new areas for development: negotiation with landowners, preparation of strategies and plans, submissions and hearings and coordination of infrastructure. If landowners remain unwilling to release that land the Council is forced to identify additional land, which can be less ideal in terms of location and sequencing leading to poorer, less efficient outcomes. There should be mechanisms tabled as part of the proposed NPS that demonstrate how landowners can be forced if necessary to release land for development in conjunction with increasing supply to ensure the most efficient market and environmental outcomes are achieved.

Section 32 analysis/Cost benefit analysis of policy options for NPS

A bias against planning, or at least a misapprehension about how planning works is perhaps betrayed by statements and references in the consultation document and the Section 32 analysis. At para. 1.1.2 of the Section 32 Analysis it is stated:

“Planning regulations that address externalities (or other market failures) in an inefficient way – i.e. they have high costs and relatively few benefits. In Auckland, this includes rules that limit development capacity, such as the Metropolitan Urban Limit and building height limits...”

RLC submits that the wording ‘high costs and relatively few benefits’ ignores the contribution demand adds to land price, as it does the benefits arising from using instruments like the MUL that limit sprawl, make more efficient use of existing resources and infrastructure and protect valuable agricultural land.

It is contended in the same paragraph 1.1.2 that there is a direct relationship between limiting heights within the urban area and demand for fringe land. RLC believes that this is not nearly so direct and there is not a straight correlation between demand in established urban areas and particularly around higher density nodes, and demand for fringe land. Urban development is not, as contended at para. 3.5.1 “a little like a waterbed or a game of whack-a-mole: if you push down growth in one area, it pops up in another”. The demand profile of each can look quite different.

In conclusion, RLC hopes that the points made above will be taken into consideration in the finalisation of the NPS on Urban Development Capacity, and RLC would welcome the opportunity for further engagement with the Ministry to ensure the final NPS is a practical and satisfactory document.

Yours sincerely,



Jean-Paul Gaston
Group Manager, Strategy and Partnerships