



Tauranga City Council

**Submission to the Ministry for the Environment in the matter
of the Proposed National Policy Statement on Urban
Development Capacity**

14 July 2016

EXECUTIVE SUMMARY

- i. As a City identified as a High Growth Urban Area, and being used to managing considerable growth, Tauranga City Council (TCC) has a direct interest in, and will be directly affected by, the NPS.
- ii. TCC is generally supportive of the intent and format of the NPS. In particular, the structure is easy to understand, notwithstanding the substantive submission points below.
- iii. The NPS will be largely complementary to the current focus of the SmartGrowth partnership, which proactively seeks to address significant challenges in managing high rates of growth in the western Bay of Plenty sub-region. In particular, the NPS reinforces the importance of providing for local urban development; its positive effects for communities at local, regional and national scales; and the need to provide for community well-being.

CENTRAL THEME: Achieving the outcomes sought by the NPS will require interventions beyond the scope of local authorities, the Local Government Act (LGA) and the Resource Management Act (RMA)

- iv. The central issue identified by TCC is that the NPS will not realise its objectives unless there are other changes, tools and measures introduced to assist councils, and several other relevant entities, to deliver all the elements required for building successful urban communities. Local authorities alone cannot deliver all the essential elements to support growth due not only to an inability to pay for the required infrastructure, but also in terms of the many elements that fall outside their control. Consultation with other providers is required by the NPS, such as with NZTA and the Ministry of Education, but consultation will not guarantee that provision or contribution is forthcoming for elements such as State Highway investment or new schools required to support growth. There needs to be strong commitment from central Government to collaborate with local authorities to deliver these elements.
- v. Further to this central theme, there are six main topics covered by this submission, as outlined below. A summary of specific changes sought to the NPS, as well as complementary measures outside of the NPS itself, is attached to this submission.

Appropriate targets needed for “sufficient development capacity”

- vi. Targets set by the NPS need to appropriately balance certainty of future development capacity vs. cost effective delivery of infrastructure. This will reinforce the SmartGrowth approach of providing clear planning signals of how and when development capacity will be released, coupled with ‘just in time’ provision of infrastructure to serve new growth in a way that is in keeping with section 10 of the LGA. In particular, TCC recommend that there is a distinction made between how “sufficient development capacity” is defined in the short vs. medium vs. long term.

Co-investment needed across the full package of infrastructure

- vii. The infrastructure required to serve growth needs to be delivered through co-investment involving the private sector, local authorities and central Government agencies. This is necessary not just for trunk infrastructure but also for the full package of elements required to create successful urban communities. TCC recommends that central Government ensures alignment of the planning and investment frameworks of relevant agencies to the outcomes sought by the NPS, both for 'hard' infrastructure (e.g. NZTA) and social infrastructure/community services (e.g. Ministry of Education).

Debt capacity for local authorities is a significant limiting factor

- viii. TCC has already committed most of its available debt capacity to funding growth. Any requirement stemming from the NPS to increase investment in infrastructure without associated financial support is likely to have serious consequences for both existing and future ratepayers. TCC seeks that central Government introduce measures to de-risk local authority debt that is for growth related capital expenditure in high growth areas.

Statutory processes need to allow responsiveness to NPS targets

- ix. RMA plan change processes can be resource-intensive and run over a number of years. The Government needs to take this into account in setting targets for timely release of development capacity, especially as Councils transition to meet the NPS requirements. Further, there is the potential for new and complementary tools (such as Special Housing Areas or stream-lined plan change processes under the RMA) to assist Councils to release development capacity.

Monitoring indicators need to have substantive value

- x. The range of monitoring indicators outlined in the NPS need to be examined to determine they are robust and effective. Subject to merit, monitoring could potentially be supported through centralised provision and analysis of data. Quarterly reporting requirements would create a significant burden on local authorities in terms of staff resource and external consultant costs and may not provide meaningful information for decision-making.

Complementary measures needed to achieve NPS objectives

- xi. Housing affordability is identified as a primary issue driving the NPS which seeks to provide solutions to this issue via supply of development capacity and matching supply with demand for different housing types. There is potentially only a limited impact supply by itself can have on housing affordability – particularly in the short term. Alternative measures, including a national strategy for delivering non-market housing, should be pursued.

INTRODUCTION

- 1.1. Tauranga City Council (“TCC”) thanks the Ministry for the opportunity to comment on the Proposed National Policy Statement on Urban Development (“*the NPS*”).
- 1.2. The western Bay of Plenty sub-region, and Tauranga in particular, is experiencing strong population growth and this growth trend is projected to continue. Tauranga City had a resident population of 125,700 at 30 June 2013¹ and is New Zealand’s fifth largest urban centre. Population projections for Tauranga see it reaching 179,800 by 2043². Recent monitoring of resource consent data to the end of December 2015 has signalled growth is currently tracking faster than projected, at approximately 18% above projections (over the period from mid-2013 to the end of 2015).
- 1.3. TCC has invested considerable time and effort at ensuring that the City is capable of managing the rapid growth that has been experienced recently. In Tauranga, as at 31 December 2015, there were 9,350 greenfield sites enabled by the operative Tauranga City Plan. This greenfield capacity is projected to accommodate around 9.5 years of growth, catering for 83 percent of the projected demand over this period. The balance of demand will be accommodated via infill development and intensification within the existing urban area. Where bulk services are not currently in place, necessary infrastructure is planned and scheduled to be provided as required.
- 1.4. TCC is a member of SmartGrowth, which is a collaboration between TCC, the Western Bay of Plenty District Council, the Bay of Plenty Regional Council and Tangata Whenua. The previous SmartGrowth strategy (pre-2013) had a growth management focus. The current strategy (2013) has built on this and a wider, more comprehensive approach has been taken. It considers a range of environmental, social, economic and cultural matters. The strategy identifies short, medium and long term opportunities for ‘building the community’. It is not about local government doing everything, but is about fostering and recognising the importance of others that have contributed to strategy development and who have a clear role in effective implementation³.
- 1.5. Tauranga City Council is also a member of the Upper North Island Strategic Alliance (UNISA). UNISA is a partnership between Auckland Council, Northland, Waikato and Bay of Plenty regional councils,

¹ NPS - A2: Statistics New Zealand: Projected Total Population by Urban Area

² NPS - A2: Statistics New Zealand: Projected Total Population by Urban Area

³ SmartGrowth 2013 foreword

Hamilton and Tauranga city councils, and Whangarei District Council. The aim of UNISA is to manage and respond to a range of inter-regional and inter-metropolitan issues. UNISA councils have a number of common issues in relation to providing sufficient development capacity for housing and businesses, but also face a number of specific issues depending on their level of growth.

Reason for submitting

- 1.6. As a city identified as a High Growth Urban Area, and being used to managing considerable growth, TCC has a direct interest in, and will be directly affected by, the NPS.

Format of submission

- 1.7. TCC has a number of submission points relating to the NPS as outlined below.
- 1.8. A summary of specific changes sought to the NPS, as well as complementary measures outside of the NPS itself, is attached to this submission.

CENTRAL THEME OF SUBMISSION

Achieving the outcomes sought by the NPS will require interventions beyond the scope of local authorities, the Local Government Act (LGA) and the Resource Management Act (RMA)

What is Proposed?

- 2.1. The NPS seeks to ensure that local authorities provide for sufficient development capacity for residential and business activities to meet demand and that there is a robust evidence-base underpinning the projections of demand and supply. This focus is driven in large part by a desire for an increased supply of housing in particular to reduce the cost of housing relative to income, to combat wealth inequality; an increasing fiscal burden for housing related welfare; and risk to the national economy⁴. At the same time the NPS also seeks to ensure that urban development maximises the potential for social and economic exchange and community well-being⁵. The NPS therefore seeks both that; development capacity is demand responsive to such an extent that land and development markets operate competitively; and also that urban development is delivered in an effective and efficient way in building future urban communities that provide for social, economic and cultural well-being.

⁴ NPS - preamble

⁵ NPS - OA1, PA1& PA3.

How is this different?

- 2.2. The focus on providing for development that provides for social, economic and cultural well-being is aligned with the current purpose of both the RMA⁶ and LGA, albeit the NPS itself does not tie this expressly to sustainable management of the environment as outlined in Part 2 of the RMA. Nonetheless, the principal of providing for community well-being in itself is no different from the status quo.
- 2.3. What is different is that the NPS focusses on the need to enable competitive operation of land and development markets in order for community well-being to be realised. This is principally in terms of the impact (more) competitive markets will have on the price of housing relative to income. In effect, the NPS is recognising that community well-being will be influenced in two ways;
- increased supply of development capacity improving the cost of housing relative to income; and
 - the quality of the urban development that will serve our future urban communities.
- 2.4. The NPS emphasises the importance of decisions about efficient use of resources being made with the operation of land and development markets front-of-mind. For areas of medium to high growth in particular, the NPS seeks to give primacy to this consideration – qualified by seeking that new urban development provides for enduring community well-being.

Any concerns?

- 2.5. TCC supports the outcomes promoted by the NPS, in that it will be largely complementary to the current focus of the SmartGrowth partnership, which proactively seeks to address significant challenges in managing high rates of growth in the Tauranga area. In particular, the NPS reinforces the importance of providing for local urban development; its positive effects for communities at local, regional and national scales; and the need to provide for community well-being.
- 2.6. The central issue identified by TCC is that the NPS will not realise its objectives unless there are other changes, tools and measures introduced to assist councils, and several other relevant entities, to deliver all the elements required for building successful urban communities. Local authorities alone cannot deliver all the essential

⁶ RMA, section 5

elements to support growth due not only to an inability to pay for the required infrastructure, but also in terms of the many elements that fall outside their control. Consultation with other providers is required by the NPS, such as with NZTA and the Ministry of Education, but consultation will not guarantee that provision or contribution is forthcoming for elements such as State Highway investment or new schools required to support growth. There needs to be strong commitment from central Government to collaborate with local authorities to deliver these elements.

OTHER SUBMISSION TOPICS

- 2.7. Further to the central theme there are six main topics covered in this submission, as below:

Appropriate targets/measures needed for “sufficient development capacity”

Co-investment needed across the full package of infrastructure

Debt capacity for local authorities is a significant limiting factor

Statutory processes need to allow responsiveness to NPS targets

Monitoring indicators need to have substantive value

Complementary measures needed to achieve NPS objectives

These topics are dealt with in turn below.

Appropriate targets/measures needed for “sufficient development capacity”

What is proposed?

- 2.8. The NPS proposes an evidence-based framework for establishing targets for supply of development capacity to meet demand. There are several limbs to the process of determining and defining these targets including the following:
- a. Undertaking a Housing Assessment and Business Land Assessment to determine demand and supply profiles addressing quantum, type and location⁷
 - b. Determining actual and likely availability of infrastructure⁸

⁷ NPS – PB1

- c. Consideration of development feasibility/likely uptake⁹
 - d. Consideration of zoning, objectives, policies, rules and overlays (in Plans).¹⁰
 - e. Addition of 'freeboard' over and above assessed supply/demand projections of 20% over short/medium term (10 years) and 15% in long term (30 years)¹¹
- 2.9. For Tauranga, being a High Growth Urban Area, the NPS requires that the targets are set by the Bay of Plenty Regional Council (reviewed every 3 years¹²) and included in the Bay of Plenty Regional Policy Statement (RPS) pursuant to section 55(2A) by the end of 2018.

How is this different?

- 2.10. The NPS proposes a more detailed and comprehensive approach to setting development capacity targets. This includes requiring targets to account for additional 'freeboard' above projected demand/supply.
- 2.11. The SmartGrowth partnership already provides a temporal and spatial allocation for growth, including reflecting the SmartGrowth settlement pattern in the RPS. SmartGrowth already uses an evidence-based approach and places significant emphasis in the short/medium term on analysis of development feasibility for new urban growth areas as well as likely availability of infrastructure.
- 2.12. SmartGrowth does not apply a crude 'freeboard' to the supply of development capacity to meet demand projections. Instead SmartGrowth uses projections by NIDEA¹³ to estimate demand and then undertakes analysis of likely development uptake in new UGAs (development feasibility, infrastructure availability etc.) to ensure that adequate supply is ready-to-go, including just in time provision of supporting trunk infrastructure (often debt-funded by TCC and recovered through development contributions).
- 2.13. The RPS currently sets targets for minimum yield for new growth areas in terms of dwellings per hectare of developable land. To meet the requirements of the NPS, the RPS would need to be adapted to include

⁸ NPS – PB3, "Development Capacity" definition

⁹ NPS – PB3, "Feasible" definition

¹⁰ NPS – "Development Capacity" definition

¹¹ NPS – PD5, "Sufficient" definition

¹² NPS – PD6

¹³ National Institute for Demographic and Economic Analysis 2013 – note that NIDEA projections are significantly higher than the Statistics NZ 'medium' projections referred to in the NPS

targets for dwelling totals and types. These figures would be determined by the Housing Assessment required by the NPS. Further, and depending on the interpretation of “sufficient development capacity” the NPS potentially requires greater provision for planned, enabled and serviced development capacity than is currently provided by the SmartGrowth Strategy, settlement pattern, RPS and City/District Plans.

Any concerns?

- 2.14. The NPS does not define the relevant catchment for undertaking Housing and Business Land Assessments. It would be logical that the catchments for assessment extend beyond the defined Statistics NZ areas to the extent deemed appropriate by local authorities (e.g. for ‘Tauranga’ the catchment for assessments would cover the whole of the Tauranga City and Western Bay of Plenty Districts).
- 2.15. TCC suggests that the Housing Assessments should also include analysis of the role that future development will play in providing access to community amenities and facilities, good urban design and integrated planning of social infrastructure (local and central government).
- 2.16. Targets set by the NPS need to appropriately balance certainty of future development capacity vs. cost effective delivery of infrastructure. This will reinforce the SmartGrowth approach of providing clear planning signals of how and when development capacity will be released – coupled with ‘just in time’ provision of infrastructure to serve new growth. This approach allows TCC to best meet section 10 of the LGA, in terms of effective and efficient provision of good-quality local infrastructure. TCC recommends that there is a distinction made between how “sufficient development capacity” is defined in the short vs. medium vs. long term as below:
- Short term – zoned and serviced, or likely to be serviced, with adequate infrastructure*
- Medium term – zoned and any council or central Government funded infrastructure required is provided for in an investment strategy (e.g. LTP, RLTP)*
- Long term – identified in 30-year growth strategy and any council or central Government funded infrastructure required is included in 30-year infrastructure strategy*
- 2.17. TCC does not support PD5 (and the definition of “sufficient”) requiring a 20%/15% ‘freeboard’ being further applied to the demand/supply projections determined via the Housing Assessment. This ‘freeboard’ is

stated in PD5 as being to account for the likelihood that not all capacity will be developed. Firstly, this is already accounted for in the likelihood assessment required by PB3, and secondly, requiring additional 'freeboard' in the long-term would seem to serve little purpose given the uncertainty that pervades such long term horizons. Such an approach, in the long term especially, has the potential to create 'planning blight' in which an excess of zoning/infrastructure capacity is provided, potentially curtailing the best use of existing resources. A recent example of such over-ambitious projection of growth into the long term and its consequences can be seen in the Rotorua Eastern Arterial designation – in place for over 50 years before its uplift earlier this year – having created significant severance and upheaval in the community and curtailing the efficient use of urban land.

- 2.18. The timeframes required by the NPS require that respective Housing and Business Land Assessments; Regional Policy Statement targets for dwelling numbers in the medium and long term; and preparation of a 'future land release and intensification strategy' are completed by the end of 2018. Guidance to ensure consistent methodology for assessments, setting of targets and developing strategies would need to be made available immediately following formal adoption of the NPS to be of use in meeting these timeframes.
- 2.19. TCC is supportive of the NPS recognising that growth pressures are not constrained to defined territorial boundaries. Whilst the NPS frames this issue well, it is noted that currently there is a lack of legislative tools to manage growth crossing territorial boundaries. Additional guidance is sought in support of the NPS in this regard, and potentially changes to the RMA and LGA to better facilitate managing growth across territorial boundaries.

Submission Points:

- *Add note to PB1 that the extent of relevant catchments for the Assessments should extend beyond the defined Statistics NZ areas to the extent deemed appropriate by the local authorities.*
- *Add note to PB1 that the Housing Assessment include analysis of the role that future development will play in providing access to community amenities, good urban design and integrated planning of social infrastructure (local and central government).*
- *Remove reference to 20%/15% 'freeboard' in both PD5 and the definition of "sufficient".*

- Amend definition of “development capacity” to include the following:

“For the purposes of Policy PD5, development capacity in the short, medium and long terms is to be assessed in terms of the following:

Short term – zoned and serviced, or likely to be serviced, with adequate infrastructure

Medium term – zoned and any council or central Government funded infrastructure required is provided for in an investment strategy (e.g. LTP, RLTP)

Long term – identified in 30-year growth strategy and any council or central Government funded infrastructure included in 30-year infrastructure strategy

- Provide guidance as soon as possible to ensure consistent methodology for assessments, setting of targets and developing strategies.
- Provide guidance as to how managing growth across territorial boundaries is enabled through the RMA and other relevant legislation (e.g. LGA). Also consider implementing changes to the RMA and LGA that could better facilitate managing growth across territorial boundaries.

Co-investment needed across the full package of infrastructure

What is proposed?

- 2.20. The NPS requires that local authorities, when undertaking Housing and Business Land Assessments, consult with infrastructure providers, community and social housing providers, the property development sector and any other stakeholders they see fit.¹⁴ The NPS further requires that when developing plans and regional policy statements to implement the NPS local authorities must consult with local infrastructure providers and central Government infrastructure providers.¹⁵
- 2.21. With respect to delivery of infrastructure to support growth, the NPS requires that local authorities and infrastructure providers will work together to, as far as possible, ensure coordinated land use planning and infrastructure provision, including expected levels of service for infrastructure.¹⁶

¹⁴ NPS – PB4 & PC2

¹⁵ NPS – PC1

¹⁶ NPS – PC3

- 2.22. Assuming that all references to “infrastructure” in the NPS are in respect of the NPS definition, the consultation requirement would be limited only to network infrastructure for water supply, wastewater, stormwater, transport and passenger transport services.

How is this different?

- 2.23. The NPS effectively makes consultation with infrastructure providers mandatory for local authorities both in developing their evidence base for projecting demand and supply for housing and business land, and also in respect of plan making.
- 2.24. The SmartGrowth partnership has consulted with such providers in the manner required by the NPS through development of successive strategies and settlement patterns for Tauranga. This has included consultation with a broader range of providers than required by the NPS, for example telecommunications and electricity providers, the Ministry of Education and the District Health Board.

Any concerns?

- 2.25. Providing for urban development requires consideration of a broader set of infrastructure than is currently addressed by the NPS. The definition of “infrastructure” needs to include other elements including (but not necessarily limited to) telecommunications, electricity, social infrastructure and community facilities. This entails elements outside of local authorities control. However, this is already the case with transport sitting outside the sole control of local authorities in respect of the State Highway network and funding for local networks.
- 2.26. To be effective, the infrastructure required to serve growth needs to be delivered through an integrated co-investment model involving the private sector, local authorities and central Government agencies. This is necessary not just for trunk infrastructure but also for the full package of elements required for creating urban communities that reflect the live/learn/work/play pillar of SmartGrowth. The adequacy and availability of all the essential elements to serve growth needs to be addressed by the NPS and delivery supported by central Government legislation/investment, recognising that this is beyond the ability and scope of local authorities alone.
- 2.27. The need for integrated planning across the RMA, LTMA and LGA processes has been the central tenet of the SmartGrowth partnership in planning for urban growth. The NPS provides an opportunity to further reinforce alignment and focus for respective authorities working across these three pieces of legislation, in order to ensure efficient and effective

delivery of development capacity. TCC recommends that Government aligns a range of investment frameworks to the priorities in the NPS requirements, both for 'hard' infrastructure (e.g. NZTA) and social infrastructure/community services (e.g. Ministry of Education).

- 2.28. For example, the National Land Transport Fund (NLTF) could provide significant assistance in releasing development capacity by prioritising investment in the State Highway and local network that supports release of housing and business development capacity. The NLTF is hypothecated, which means that all money in the Fund must be spent on transport solutions. This would not be challenged by using the fund to invest in transport solutions that also contributed to broader non-transport outcomes – such as releasing development capacity to address the issues highlighted by the NPS. Changes to the Government Policy Statement for Land Transport and Investment Assessment Framework would be sufficient to refocus priorities for the NLTF.

Submission Points:

- *Amend definition of infrastructure to also include other elements including (but not necessarily limited to) telecommunications, electricity, social infrastructure and community facilities.*
- *TCC recommends that central Government aligns planning and investment frameworks for relevant agencies to the outcomes sought by the NPS, both for 'hard' infrastructure (e.g. NZTA) and social infrastructure/community services (e.g. Ministry of Education).*

Debt capacity for local authorities is a significant limiting factor

What is proposed?

- 2.29. The NPS requires that local authorities determine and meet targets for maintaining sufficient development capacity in the short, medium and long terms. The quantum and type of capacity available is intended to allow for the competitive operation of land and development markets.

How is this different?

- 2.30. Depending on interpretation, the NPS could potentially require more development capacity to be ready-to-go compared to the current provision in Tauranga, as enabled through the SmartGrowth settlement pattern, RPS, City/District Plans and investment in infrastructure. Given that the conventional model for serving growth areas involves a significant component of the cost being debt-funded by local authorities,

there is potential that local authorities will need to increase their debt burden in order to meet the NPS targets.

Any concerns?

- 2.31. TCC has long followed a growth management philosophy of “growth pays for growth”, which has delivered significant urban development over more than a decade whilst maintaining prudent use of rates in support of growth management. Nonetheless, much of TCC’s debt is related to the Council’s commitment to providing for future growth and forward funding trunk infrastructure – with recovery of cost spread over the life of such assets.
- 2.32. A prime example for Tauranga is construction of the Southern Wastewater Pipeline, nearing completion at a 100% locally funded cost of approximately \$100m. The pipeline will partly enable significant new growth areas for housing and business land in both the Tauranga and Western Bay of Plenty District. This pipeline is not expected to be at full capacity until 2043. In the meantime, this debt sits on Council’s balance sheet.
- 2.33. While Council always works on the best available information and updates its Development Contributions Policy every year, the wording of the Local Government Act almost guarantees that a Council will be unable to collect the full amount of Development Contributions required. As at 30 June 2015 Council has calculated that this shortfall is likely to be \$19.9 Million. By default, this would need to be funded through rates. Note that \$8.4 Million had already been transferred to ratepayer funding before 30 June 2015 (i.e. total expected shortfall of \$28.3 Million).
- 2.34. This example is typical of the financial pressures facing local authorities in high growth areas, as highlighted in the recent Local Government Funding Agency (LGFA) report:
- “The analysis of current and future debt levels highlights what is in fact a large difference between councils. Growth in debt is primarily forecast by those councils experiencing significant population growth and which need to invest in infrastructure to meet the demands of that growth.”¹⁷*
- 2.35. The LGFA has also published a table that highlights the key financial ratios. These are shown in Figure 1.

¹⁷ “A snapshot of local government’s financial health: a sector in good shape”, Local Government Funding Agency, December 2015, pg 5

Figure 1: Financial Covenants as at 30 June 2015 for Rated Councils (LGFA)

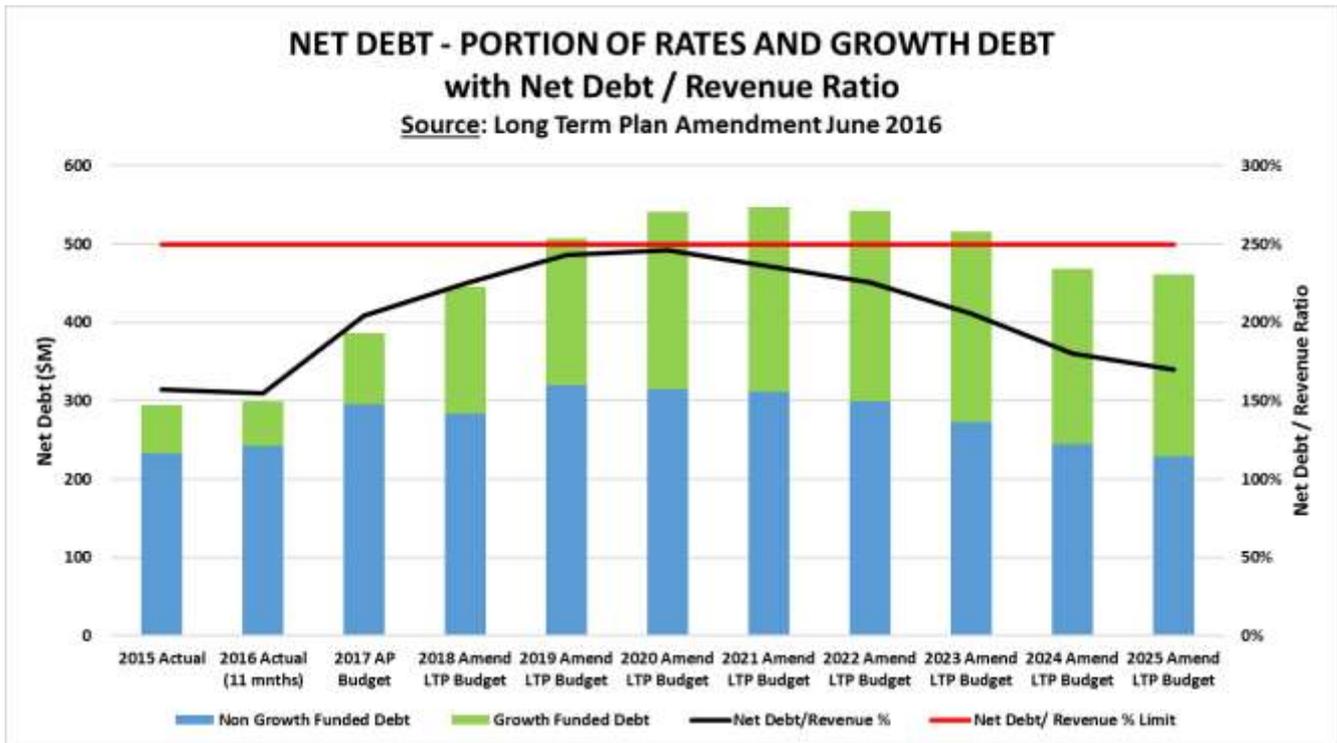
Financial Covenants - as at June 2015					
Council	Credit Rating	Net Debt / Total Revenue <250%	Net Interest / Total Revenue <20%	Net Interest / Rates <30%	Liquidity >110%
Auckland Council	AA	217.4%	11.6%	16.2%	124.5%
Christchurch City Council	A+	114.2%	5.7%	10.9%	145.0%
Greater Wellington Regional Council	AA	55.8%	2.0%	3.5%	163.3%
Hamilton City Council	AA-	164.1%	10.5%	15.1%	124.1%
Horowhenua District Council	A+	122.2%	7.0%	9.4%	129.8%
Hutt City Council	AA	60.9%	3.0%	4.5%	125.6%
Kapiti Coast District Council	A+	212.7%	11.9%	14.9%	116.8%
Nelson City Council	AA-	77.2%	3.9%	5.8%	138.3%
New Plymouth District Council	AA	-142.3%	2.7%	4.9%	396.3%
Palmerston North City Council	AA	85.0%	6.1%	8.4%	165.6%
Porirua City Council	AA	51.3%	3.5%	5.0%	130.0%
South Taranaki District Council	A+	-21.5%	-15.0%	-23.3%	229.8%
Tasman District Council	AA	136.9%	7.3%	11.4%	131.0%
Taupo District Council	AA-	85.5%	7.7%	10.2%	188.6%
Tauranga City Council	A+	162.1%	11.7%	16.1%	125.9%
Waimakariri District Council	AA	81.9%	4.0%	7.1%	118.6%
Whanganui District Council	AA-	95.3%	6.3%	9.1%	140.6%
Wellington City Council	AA	81.8%	4.4%	7.8%	143.3%
Western Bay of Plenty District Council	AA-	166.3%	10.8%	13.7%	131.0%
Whangarei District Council	AA-	120.8%	6.6%	9.7%	129.4%
Average		113.4%	6.6%	9.4%	

2.36. These ratios highlight that TCC is at the high end of the financial ratios for councils and the low end for credit rating. There is a strong reluctance to increase debt to the level where the current rating is lowered. This is both because of the impact this would have on rates, through higher interest rates, but also of the LGFA covenants. It is noted that the covenants were designed to be consistent with the requirements a council would face to maintain a credit rating of at least “A” or higher.¹⁸

2.37. TCC has already committed most of its available debt capacity to funding growth. Figure 2 shows that Council is intending to get very close to its 250% debt limit by 2020. This limit is expected to be reached due to the extent of growth funded projects, compared to non-growth (rates and renewals) funded projects that are included in Council’s proposed amended Long Term Plan. Note that this proposed amendment has just been issued for consultation purposes in June 2016.

¹⁸ “A snapshot of local government’s financial health: a sector in good shape”, Local Government Funding Agency, December 2015, pg 7

Figure 2: Net debt split into growth and non-growth compared to the Net Debt / Revenue ratio – Tauranga City



2.38. The net debt illustrated in Figure 2 does not include CAPEX for infrastructure to serve further greenfield and intensification areas that will be identified through the SmartGrowth settlement pattern review currently underway. This further expenditure will be necessary to release sufficient development capacity to meet the NPS targets.

2.39. There is a significant opportunity cost associated with expenditure to serve new growth. Effectively, this equates to the lost opportunity to invest in the existing community when investing to provide capacity for future residents. In this regard, TCC’s investment in core infrastructure serving growth to date has arguably come about at the expense of investment in community infrastructure and therefore the expense of building a City that fully delivers on social, cultural, environmental and economic well-being.

2.40. While Council has recently been making a significant effort to rectify some of these shortfalls, these projects have struggled to be funded compared to growth related infrastructure and with the constraint of Council’s borrowing limits.

2.41. Ultimately, the NPS does not change the status quo in terms of how infrastructure to serve growth is funded and delivered. It does however highlight the fiscal challenges of providing growth related infrastructure.

This is an issue that TCC, as a high growth Council, has been seeking to manage over many years. Any requirement stemming from the NPS to increase investment in infrastructure without associated financial support is likely to have serious consequences for both existing and future ratepayers. These consequences include:

- Increased rates to cover higher debt servicing costs.
- Increased Development Contribution charges (increased debt will take longer to recover – increasing the Cost of Capital component embedded in these charges).
- A risk of credit rating reducing below the level required to borrow through the LGFA.
- Increased rates to cover an increased level of Development Contribution under-recovery.
- Further reduction in projects that benefit current ratepayers as these are rejected to enable infrastructure projects to serve growth.
- Reduced levels of service in relation to access to community facilities.

2.42. TCC seeks that central Government introduce measures to de-risk local authority debt that is for growth related capital expenditure in high growth areas. This would effectively be de-risking the green portions of the debt profile shown in Figure 2 and could be achieved in three ways, being;

- reducing the cause of debt - i.e. an entity other than local authorities funds the infrastructure, such as central Government or other infrastructure funding entity
- reducing the level of debt – i.e. a portion of growth related expenditure is paid or forward-funded by central Government or other infrastructure funding entity.
- reducing perceived risk of debt – i.e. local authorities are indemnified by central Government from the risk of debt to some degree.

2.43. The recent announcement of a proposed centralised infrastructure fund to assist local authorities in high growth areas is an example that potentially works across all three of the above intervention themes. That fund is understood to be available to high growth local authorities on application to assist the release of development capacity through an interest-free lending facility for required infrastructure. This proposed measure is supported by TCC subject to analysis of the detail.

- 2.44. TCC recommends that the NPS outlines clearly that the ‘future land and intensification strategy’ required by policies PD7 – PD9 is expected to achieve sufficient development capacity in ways that ensures the prudent use of council resources in catering for growth; with fair contribution to the costs of growth by the development community, local infrastructure providers and central Government.

Submission Points:

- *TCC seeks that central Government introduce measures to de-risk local authority debt which is related to infrastructure to service urban development capacity in high growth areas. This could be achieved through introducing measures that reduce the cause of debt, reduce the level of debt and/or reduce the perceived risk of debt.*

- *Amend PD9 to include additional points below:*

“Ensure prudent use of council resources through fair contribution to the costs of growth by the developers, local infrastructure providers and central Government.”

Statutory processes need to allow responsiveness to NPS targets

What is proposed?

- 2.45. The NPS requires that local authorities in high growth areas give effect to the NPS through provision of a “future land release and intensification strategy” that outlines how the medium to long term targets set in the respective RPS documents will be achieved. This will require identification of the location, timing and sequencing of future development capacity and the process for implementation.¹⁹

How is this different?

- 2.46. The NPS will give some additional weight to the importance of providing development capacity through conventional Schedule 1 plan change processes under the RMA. A key difference between the status quo and the NPS framework is that the targets are to be included in the RPS without going through the Schedule 1 process via section 55(2A) of the RMA. This means that there will be no statutory framework available for the wider community to be involved in the setting of targets in the RPS for the quantum and type of housing for Tauranga.

Any concerns?

- 2.47. TCC does not support using section 55 (2A) to introduce targets into RPS documents. The setting of targets, particularly in respect of the type of

¹⁹ NPS – PD7& PD8

housing to be provided, will be critical to the shaping of cities and communities should have the opportunity to engage in this process. TCC therefore seek that reference to section 55 (2A) is removed from the NPS entirely and that Schedule 1 processes apply to the inclusion of targets in respective RPS documents.

- 2.48. Notwithstanding the above, RMA processes can be resource-intensive and run over a number of years, for example plan changes associated with releasing the Wairakei urban growth area in Tauranga extended beyond 10 years. Recently, a relatively straight-forward variation to a comprehensive stormwater consent for Tauranga took approximately 18 months.
- 2.49. TCC supports changes to the RMA to provide a stream-lined process whereby there is limited provision to appeal plan changes that are consistent with a publicly consulted spatial plan, such as the SmartGrowth Strategy and associated settlement pattern.
- 2.50. There is the potential for other additional/complementary tools (such as the recent Special Housing Areas process) to assist local authorities to release the development capacity sought by the NPS.
- 2.51. Further, there may be benefit in providing new tools under the Public Works Act to ensure land required for critical infrastructure can be obtained within timeframes that enable short term targets to be met.

Submission Points

- *TCC seek that reference to section 55(2A) is removed from PD4 and PD6.*
- *Investigate stream-lined processes/tools that would enable councils in high growth areas to respond to the required targets, such as the Special Housing Areas process recently used in high growth areas such as Tauranga. TCC also supports changes to the RMA to provide a stream-lined process with limited provision to appeal plan changes that are consistent with a publicly consulted spatial plan for high growth areas.*
- *Investigate new tools under the Public Works Act to facilitate the timely acquisition of land to serve new development capacity to meet NPS targets.*

Monitoring indicators need to have substantive value

What is proposed?

- 2.52. The NPS requires local authorities to undertake quarterly reporting across a range of indicators including:
 - Relative affordability of housing, including the ratio of house price to income and the relative cost of rent.

- The increase in house prices and rents.
- The number of resource and building consents granted relative to the growth in population.
- Vacancy rates for business land.
- The ratio of the value of land between rural and urban zoned land.
- The ratio of the value of improvements to the value of land within the urban area.

How is this different?

2.53. TCC currently monitors all of the above either through scheduled reporting or in terms of spatially specific analysis to inform consideration of new growth areas. Nonetheless, there are no indicators for which TCC undertakes quarterly analysis, with the most regular being 6-monthly (e.g. resource/building consents and development contributions) and others typically being either annual (e.g. development trends vs. growth projections) or three yearly (e.g. relative affordability assessments). Land value ratios and improvement/land ratios have only been used for analysis as needed for spatially specific investigations (e.g. development viability analysis for City Living Zone).

Any concerns?

2.54. The range of monitoring indicators outlined in the NPS need to be comprehensively examined to determine they are robust and effective. TCC understands that the Ministry for the Environment is currently undertaking this review. Subject to merit, any measures that are deemed appropriate could potentially be supported through centralised provision and analysis of data. There is a concern that the quarterly reporting requirements, and the extent of data analysis required does not pass the cost/benefit test in that it could create a significant and unnecessary burden on local authorities in terms of staff resource and external consultant costs. In particular, the requirement for quarterly monitoring of all indicators is onerous.

2.55. The TCC experience through SmartGrowth is that analysis across a wide range of factors is required to match demand with willing market providers of urban development. Some of the price signals/indicators outlined in the NPS provide a blunt assessment of demand pressure and will not in themselves indicate spatially where supply should be enabled to meet demand. The optimal supply response will need to be considered through detailed analysis of environmental, community and market conditions and should not be spatially constrained by price signals/indicators.

2.56. To provide a practical example, a high ratio of urban land price to rural land price at the city-fringe may only be indicative of significant physical

constraints affecting the rural land rather than an upward pressure on housing supply in a given location. Another example will be that price signals in a particular area may represent scarcity in the face of high demand due to capacity being reached in a desirable area. Whilst demand in theory may be high, such areas may be the most difficult in which to deliver further development capacity and could therefore be an inferior option to focus on in strategic efforts to release further development capacity.

Submission Points:

- *Only include monitoring indicators in PB5 that will be useful/meaningful in meeting the objectives of the NPS.*
- *Centralised provision/reporting of monitoring indicators is encouraged.*
- *Quarterly reporting of monitoring indicators is onerous and unlikely to be necessary to inform the three-yearly review cycle proposed by the NPS - amend reporting to annual or three-yearly as appropriate.*

Complementary measures needed to achieve NPS objectives

What is proposed?

- 2.57. The NPS requires consultation by local authorities across a range of relevant parties associated with providing for, and taking up, development capacity, including infrastructure providers, community and social housing providers, the private sector and any other stakeholders that local authorities see fit to consult.²⁰

How is this different?

- 2.58. The mandatory requirement for consultation across other infrastructure providers is technically different to the status quo, where there is no duty to consult so widely in developing a collective evidence base or preparing plan/RPS changes. Beyond this requirement for consultation, and making best efforts to ensure coordination of infrastructure delivery²¹, the NPS does not outline other measures that will complement the NPS to achieve its principal objectives.

Any concerns?

- 2.59. Housing affordability is identified as a primary issue driving the NPS and it seeks to provide solutions to this issue via supply of development capacity and matching supply with demand for different housing types. There is potentially only a limited impact supply by itself can have on

²⁰ NPS – PB3, PC1, PC3, PD9

²¹ NPS – PC3

affordability – particularly in the short term. TCC recommends that alternative and complementary measures are pursued, including a national strategy for delivering non-market housing such as affordable housing development and ownership models; social housing and community housing.

Submission Point:

- *TCC recommends developing a national strategy for enabling the delivery of non-market housing, including affordable housing development and ownership models, social housing and community housing.*

2.60. A summary of specific changes sought to the NPS, as well as complementary measures outside of the NPS itself, is attached to this submission.

A handwritten signature in black ink, appearing to read 'S.A. Crosby'.

Stuart Crosby
Mayor of Tauranga

SUMMARY OF CHANGES SOUGHT BY TCC SUBMISSION

Definitions

- “Development capacity” – amend to include the following:
For the purposes of Policy PD5, development capacity in the short, medium and long terms is to be assessed in terms of the following:
Short term – zoned and serviced, or likely to be serviced, with adequate infrastructure.
Medium term – zoned and any council or central Government funded infrastructure required is provided for in an investment strategy (e.g. LTP, RLTP).
Long term – identified in 30-year growth strategy and any council or central Government funded infrastructure required is included in 30-year infrastructure strategy.
- “Infrastructure” – include additional elements (as a minimum but not necessarily limited to) telecommunications, electricity, social infrastructure and community facilities.
- “Sufficient” – remove reference to 20%/15% ‘freeboard’.

Policy Changes

- **PB1** – Clarify that the extent of relevant catchments for Housing and Business Land assessments should extend beyond the defined Statistics NZ areas to the extent deemed appropriate by local authorities.
- **PB1** - Add note that Housing Assessments shall include analysis of the role that future development will play in providing access to community amenities and facilities, good urban design and integrated planning of social infrastructure (local and central Government).
- **PB5** – Only include monitoring indicators that will be useful/meaningful in meeting the objectives of the NPS.
- **PB5** - Quarterly reporting of monitoring indicators is onerous and unlikely to be necessary to inform the three-yearly review cycle proposed by the NPS – amend reporting to annual or three-yearly as appropriate.
- **PD4** – Remove reference to section 55(2A).
- **PD5** - Remove reference to 20%/15% ‘freeboard’.
- **PD6** – Remove reference to section 55(2A)
- **PD9** – Add following bullet point:

Ensure prudent use of council resources through fair contribution to the costs of growth by the developers, local infrastructure providers and central Government.

ADDITIONAL GUIDANCE/SUPPORT SOUGHT

- Provide guidance as to how managing growth across territorial boundaries is enabled through the RMA and other relevant legislation (e.g. LGA). Also consider implementing changes to the RMA and LGA that could better facilitate managing growth across territorial boundaries.
- Provide guidance to ensure consistent methodology for assessments, setting of targets and developing strategies.
- Centralised provision/reporting of monitoring indicators is encouraged.

SUMMARY OF COMPLEMENTARY MEASURES SOUGHT

- TCC recommends that central Government aligns planning and investment frameworks for relevant agencies to the outcomes sought by the NPS, both for 'hard' infrastructure (e.g. NZTA) and social infrastructure/community services (e.g. Ministry of Education).
- TCC seeks that central Government introduce measures to de-risk local authority debt which is related to infrastructure to service urban development capacity in high growth areas. This could be achieved through introducing measures that reduce the cause of debt, reduce the level of debt and/or reduce the perceived risk of debt.
- Investigate new tools under the Public Works Act to facilitate the timely acquisition of land to serve new development capacity to meet NPS targets.
- Investigate stream-lined processes/tools that would enable councils in high growth areas to respond to the required targets, such as the Special Housing Areas process recently used in high growth areas such as Tauranga. TCC also supports changes to the RMA to provide a stream-lined process with limited provision for appeal for plan changes that are consistent with a publicly consulted spatial plan for high growth areas.
- TCC recommends developing a national strategy for enabling the delivery of non-market housing, including affordable housing development and ownership models, social housing and community housing.