

## Better urban planning

February 2017



Well-functioning cities matter a great deal to the wellbeing of New Zealanders. When cities function well, they provide greater access to and choices of housing, better protection of our natural environment and cultural values, and quality infrastructure at the right time in the right place. Well-functioning cities also provide many different types of employment and higher wages, a wider pool of labour for firms, and more opportunities for specialisation, innovation and easier transfer of ideas. Working well, cities are engines of economic prosperity.

Successful cities are also attractive locations to live – places where people consume goods and services, play and are creative, all within urban areas that have atmosphere and unrivalled access to a wide range of amenities. Successful New Zealand cities should also acknowledge the special relationship of Māori with the land on which cities are built, and provide “great spaces and places for Māori to be Māori”.

But the growth of cities can also create costs as a result of people working and living near each other. Potential costs include congested roads and long commutes, air pollution and degradation of the natural environment, as well as unavailability of affordable housing. Urban growth can also lead to social exclusion through geographical segregation of people by income and other markers of deprivation. These costs put a premium on good city organisation and planning, where the advantages of urban growth and city living can be enjoyed and the costs and negative impacts of such growth minimised.

In October 2015, the Government asked the Productivity Commission to review New Zealand’s urban planning system and to identify, from first principles, the most appropriate system for allocating land use to support desirable social, economic, environmental and cultural outcomes. It asked us to look beyond current arrangements to consider fundamentally different ways of delivering urban planning. The aim of the inquiry is to set out what a high-performing urban planning system would look like. We spent 15 months investigating, and talked to people throughout the country and overseas. This *Cut to the chase* summarises our inquiry’s findings and recommendations.

### Planning can contribute to wellbeing

Planning can help to maximise the benefits of cities, while managing their costs. Changes in land use frequently create conflicts between residents. Effective planning processes can help manage these conflicts, by setting clear expectations, defining property rights and resolving disputes. Planning also contributes to wellbeing by organising the infrastructure needed for development and growth, and providing the public spaces and facilities that support vibrant communities. However, there are limits to what planning can achieve, and attempts to steer cities in particular directions can be harmful. To make the greatest contribution to wellbeing, a planning system needs to achieve the following five goals:

- flexibility and responsiveness – ability to change land uses as required;
- provision of sufficient development capacity to meet demand;
- mobility of residents and goods to and through the city;
- ability to fit development within well-defined and protective environmental limits; and
- recognition and active protection of Māori Treaty interests in the built and natural environments.

In examining alternatives, the Commission was guided by how likely a future planning system would achieve these goals.

## The current system is slow to adapt and biased towards the status quo

New Zealand's current planning system is not well set up to deal with change. Processes for updating land-use rules are slow and uncertain. There is too much unnecessary, poorly-targeted regulation. Many councils have sought to manage or direct the evolution of cities in highly-detailed and prescriptive ways. Resistance to change from local residents and barriers to funding new infrastructure also inhibit a city's ability to grow and respond to change.

The system's problems are rooted in both its design and implementation. Ambiguous and broad language in the Resource Management Act (RMA) has led to overly restrictive rules in urban areas, 'scope creep', and an under-emphasis on the built environment. The Act does not give prominence to urban issues, and it is difficult to set clear priorities for the natural environment. The lack of central government guidance has led to decisions that suit local interests, but which have negative wider impacts, such as rising land and housing prices.

## What a future planning system should look like

### A clearer distinction between the built and natural environments

A future planning system should recognise that the natural and built environments require different and distinctive regulatory approaches. The natural environment needs a clear focus on setting standards that must be met, while the built environment requires assessments that recognise the benefits of urban development and allow change. Current statutes and practice blur the two environments, and provide inadequate security about environmental protection and insufficient certainty about the ability to develop within urban areas. A future planning system should have separate objectives and principles for the natural and built environments, and clearly outline how to manage the interrelationship between the two. To support an integrated approach, these provisions should sit within a single planning and resource-management statute.

The distinction between the built and natural environments will enable a future system to be clearer about its priorities, especially at a national level and in regard to land use and infrastructure. The indeterminacy that has troubled the current system and left the courts to resolve difficult issues reflects unresolved tensions within the RMA around the balancing of environmental and socio-economic benefits.

### New mechanisms and models to overcome growth challenges

A new, clearer planning and resource management statute and clearer direction and expectations from central government will push councils in high-growth cities to do more to meet the demand for development. The new statute should contain, in addition to its clear purposes and objectives for the natural and built environments, principles to guide plan making, planning processes and decision making.

Guided by these objectives and principles, plans should have clearer and broader "development envelopes" within which low-risk and mixed development is either permitted or is subject to only minimal controls. They should only have rules that evidence indicates offer a clear net benefit, where the link to external impacts is clear. They should put greater reliance on pricing and market-based tools, and restrain attempts to force the creation of economic, social or environmental benefits through restrictive rules (eg, planning policies that attempt to promote density in the expectation that this will necessarily lead to higher productivity).

To complement these improvements, a future planning system should also:

- employ price-trigger mechanisms that credibly guarantee that councils will permit enough development capacity to meet demand at reasonable prices;
- deploy, where appropriate, urban development authorities to assemble and develop land at a scale sufficient to meet business, residential and mobility needs; and
- create competitive urban land markets that open opportunities for the private sector to invest in out-of-sequence community developments. These can sidestep land bankers' stranglehold on land supply and avoid additional burdens on councils for infrastructure.

### More responsive infrastructure provision

The Commission has found that shortfalls in infrastructure provision are a key reason for councils in high-growth cities failing to respond adequately to growth pressures.

Councils need a greater ability and willingness to impose user and congestion charges, so as to encourage efficient use of infrastructure, help recover costs, and manage pressures on existing assets. They also need a better taxation toolbox to recover the cost of growth infrastructure without burdening current residents. This should include the power to capture a portion of the value created by development – via targeted rates on the increase in the land values of property owners. The base of all rates on property values should move over time to (unimproved) land value.

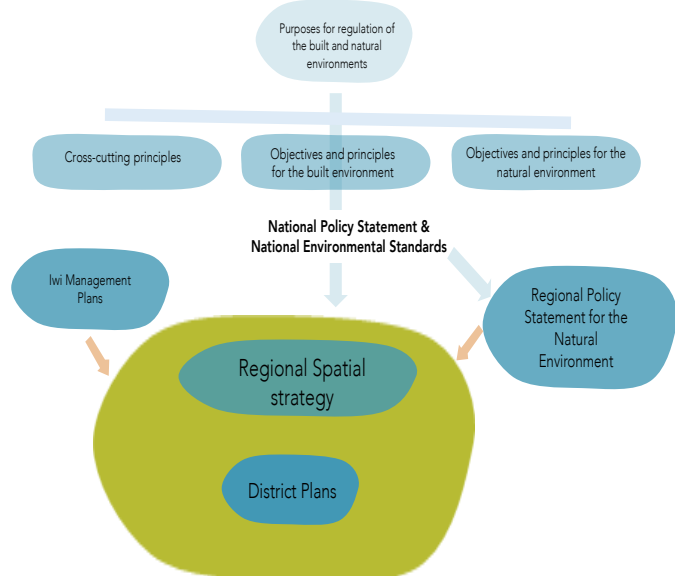
Central and local governments need to engage and work together constructively on joint approaches (including cost sharing) to major pieces of city infrastructure with national spillover benefits. Auckland in particular is hamstrung by a debt constraint and the threat of a credit downgrade. This must be resolved. Options include putting additional debt on the balance sheets of others, and engaging with credit-rating agencies on higher debt limits for rapidly growing cities with secure and growing future income streams.

### Better planning and plans through spatial planning and independent hearings panels

A future planning system needs to substantially revamp plan making, plan review and rights of appeal.

Regional councils should lead the production of Regional Spatial Strategies (RSSs) that set out strategic land-use parameters stretching 30 to 50 years ahead in the case of high-growth regions. RSSs will define corridors that provide options for future infrastructure, future public open spaces, and areas of cultural significance and outstanding conservation value. Remaining land will be available for development. Territorial authorities, central government, iwi, developers and infrastructure providers will all participate in the RSS process.

The RSS will be the platform for the suite of District Plans within the region as well as for transport and other infrastructure investment planning under the Land Transport Management Act and the Local Government Act. Alongside the RSS, the regional council will also take the lead in developing a Regional Policy Statements for the Natural Environment (RPS-NE). The RPS-NE will set the protective limits for the natural environment in a region. It will have to give effect to any relevant National Policy Statements and National Environmental Standards and the new planning and resource-management Act. But it could set more stringent limits than called for in these documents, in line with regional needs and preferences. It should provide for a more flexible and adaptive approach to addressing cumulative effects.



The suite of notified regulatory plans in a region will be subject to a one-step merits review by an Independent Hearings Panel (IHP) that will:

- be appointed by an independent statutory agency;
- reflect the mix of skills, local knowledge and tikanga Māori required in each case;
- review the RSS, the RPS-NE and the District Plans in line with statutory objectives and principles and as a package; and
- have the final decision on merits of plans, plan variations and private plan changes, with appeals only on points of law to the Environment Court.

### Improvements in consultation, recognition and protection of Māori interests, and planning capability and culture

In a future planning system, councils should face clearer obligations to ensure that all parties affected by a proposal are able and encouraged to participate in decision-making. Public participation is often skewed in favour of individuals and groups with more resources. There is a need to ensure that councils understand all

community interests, not just the loudest voices. Councils should also have more flexibility in how to gather views and being able to use the results for different planning purposes.

A future planning system should continue to expect councils to engage with Māori early in the development and review of plans. Progress across councils in this regard is uneven at present. The future system should continue to use current collaborative arrangements such as the Waikato River Authority, and current practices such as identifying and protecting sites of significance to Māori.

To better address Treaty responsibilities and to even up progress across councils, the Government should give Māori a statutory role in the stewardship of the planning system through a National Māori Advisory Board on Planning and the Treaty of Waitangi; and issue a National Policy Statement on the recognition and active protection of Māori Treaty interests in planning and the environment.

Continuation of planning culture and capabilities of a previous era hampered the successful introduction of the RMA. This underlines the importance of aligning and building culture and capability for successful reform. A future planning system will require greater emphasis on rigorous analysis of policy options and planning proposals. Councils will need to build their technical capability in areas such as environmental science, economic analysis, policy analysis and evaluation.

### Improve system stewardship

Central government will need to exercise good regulatory stewardship in a future planning system by substantially improving its understanding of urban planning and its engagement with local government. Good stewardship includes setting clear expectations, greater data collection, and monitoring how well councils are performing their responsibilities with respect to the built and natural environments. The Government will need to keep an eye on what is working and what is not, foster innovation and disseminate guidance on best practice.

## The benefits of a reformed planning system

The potential gains from making the substantial and far-reaching changes recommended by the Commission are very large. Few participants in the inquiry were happy with the current system, and many were strongly critical, believing the RMA had not worked as intended, or needed a substantial overhaul. Regulation of the built and natural environments touches all our lives. It affects the places we live and work, the recreational spaces where we love to play, and the special parts of New Zealand's natural environment we wish to protect. Getting a planning and resource-management system that is fit for purpose has the potential to deliver access to affordable housing and well-paying jobs, in vibrant, dynamic and liveable cities, and in a country where the natural environment is cherished and protected.

Putting the Commission's reforms into practice will take time and persistence, but they are both achievable and realistic.

As Harvard economist Ed Glaeser, says in his book *Triumph of the cities* (2011): "[C]ities are humanity's greatest invention, they make us richer, smarter, greener, healthier, and happier". To realise the potential of our greatest invention requires the best urban planning framework that we can devise. This report sets out the Commission's proposals on what such a framework would look like.

## Our inquiry engaged widely

During the course of our inquiry, we released an issues paper (December 2015) and a draft report (August 2016); considered 124 submissions; and held more than 100 meetings with individuals, local authorities, government agencies and firms throughout New Zealand and in Australia. We acknowledge and thank those who participated in the inquiry, contributing enormously to our understanding of the issues and to our recommendations.

The **New Zealand Productivity Commission** – Te Kōmihana Whai Hua o Aotearoa – is an independent Crown entity. It conducts in-depth inquiries on topics selected by the Government, carries out productivity-related research, and promotes understanding of productivity issues.