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The Productivity Commission
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Dear Sir/Madam

Bay of Plenty Regional Council's submission to 'Using Land for Housing' Issues Paper

Thank you for the opportunity to comment on the Productivity Commission 'Using Land for Housing' Issues Paper. The Bay of Plenty Regional Council supports the intent of the Inquiry and acknowledges the need to provide suitable land for housing as a key means to addressing housing affordability for many New Zealanders. Given the Bay of Plenty is one of 4 focus regions for the Inquiry it is important that our Council's view is expressed through this submission.

For matters relating to this submission, please contact David Phizacklea (Regional Integrated Planning Manager) at david.phizacklea@boprc.govt.nz or 0800 884 881, extension 8327.

We appreciated the effort taken by the Commission to meet with councillors and staff of the Regional Council on 12 December 2014 and hope this was valuable to the Inquiry process.

Our Organisation

The Bay of Plenty Regional Council is responsible for the sustainable management of the region's natural and physical resources. Our Council manages the freshwater, land, air and coastal resources of the region under the Resource Management Act 1991. It has a particular responsibility for the strategic integration of land use with infrastructure under the Act.

We also have a broader responsibility working with territorial authorities in the region, to meet the current and future needs of our communities for good-quality local infrastructure, local public services, and performance of regulatory functions.

Summary

The Council has taken the approach of submitting only on those areas of the issues paper relevant to its regional authority functions. It has focused in particular on:

- Integration of the Resource Management Act, Land Transport Management Act and Local Government Act legislation
- Role of the Bay of Plenty Regional Policy Statement and the application of urban limits

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- RMA rezoning process
 - Spatial planning approaches
 - Transport planning.

Please find our detailed submission attached. We trust you find these comments constructive.

Yours sincerely



Fiona McTavish
General Manager Strategy

Bay of Plenty Regional Council submission to the Productivity Commission Inquiry Issues Discussion Document – *Using Land for Housing*

1. Introduction

This submission is made by the Bay of Plenty Regional Council. The approach taken in particular is to:

- Focus on key questions raised in the issues paper for the Bay of Plenty Regional Council and for the Bay of Plenty region.
- Show the benefits of the current approach in the Western Bay of Plenty subregion to providing land for housing, through the SmartGrowth partnership model.
- Support Tauranga City Council and Western Bay of Plenty District Council in the concerns held with managing growth and funding the necessary infrastructure.
- Highlight what has been achieved through the approach taken in the Regional Policy Statement and Regional Land Transport Plan (RLTP) to managing growth and providing land for housing.

2. The Regional context

- The Western Bay of Plenty subregion has been one of NZ's fastest growing areas for many decades; however the rest of the region has either no net population growth or is slowly declining.
- The bulk of growth in the Western Bay of Plenty occurs through migration into the subregion – though outward migration is also a significant factor. As a consequence of natural ageing and attractiveness to elderly retirees, the Western Bay of Plenty is rapidly ageing.
- The SmartGrowth Strategy is a partnership approach to managing growth in the Western Bay of Plenty subregion, involving Bay of Plenty Regional Council, Western Bay of Plenty District Council, Tauranga City Council and Tangata Whenua. SmartGrowth has been operating since 1999.
- The Western Bay of Plenty subregion currently has at least 10 years of greenfield land supply available. However, this figure is influenced by expected changes in household occupancy rates due to a greater percentage of elderly residents who may have different housing needs.
- There is a need to focus on enabling infill/intensification to minimise Tauranga's urban footprint and make public transport and active travel modes more feasible, while protecting valuable rural productive land, cultural heritage and environmental values.
- The three SmartGrowth councils are aware of the need to look ahead in terms of land supply given the long timeframes under the RMA to rezone additional land for development.
- SmartGrowth has agreed as a policy position to work to a minimum 10 year zoned and consentable greenfield land supply at all times. This is consistent with requirements of the Operative Bay of Plenty Regional Policy Statement (Method 14(b)) which requires catering for at least 10 years' worth of anticipated growth.

- Typically land costs are only a small portion of the cost of developing sections in Tauranga.
- The rezoning of greenfield land in Tauranga incorporates significant structure/infrastructure planning, infrastructure funding assessments and development viability assessments to ensure an integrated approach to growth management that minimises challenges to the actual delivery of development. This includes close involvement of developers and land owners. This is considered to be best practice.
- Tauranga has no significant 'brownfield' sites available for development. Any intensification through redevelopment would have to occur in the suburbs or the city centre. Suburban intensification is politically difficult due to the interests of local communities and the difficulty of (affordably) aggregating sufficient land area.
- While infrastructure costs in Tauranga are much higher in greenfield areas, the overall cost of delivering new land and housing is significantly cheaper in greenfield areas. This mainly has to do with the high cost of aggregating sufficient land to redevelop in the older parts of the city as well as the additional building costs, urban design and project risk associated with intensification type development.

3. Key issues

3.1 Linkages between LTMA, RMA and LGA

Councils are required by legislation to take an integrated approach to planning and not merely just zone more land. The legislation emphasises the need for an agreed and sustainable land use pattern that is integrated with infrastructure. This is evident in the Resource Management Act 199), the Local Government Act 2002 and the Land Transport Management Act 2003.

These statutes show a clear intention of:

- Integrating land use and infrastructure (a regional council function in the RMA)
- Planning for growth (the impact of growth on infrastructure under the LGA)
- Long term planning and investment (LGA and LTMA)

Integration between the three pieces of legislation is not as good as it could be. It is our view that this integration has been weakened following recent changes to the LTMA legislation, which has removed the explicit requirement to consider the strategic integration of land use and infrastructure. The current draft RLTP includes consideration of land use and transport integration because the region, through the Regional Transport Committee, considers it to be good practice.

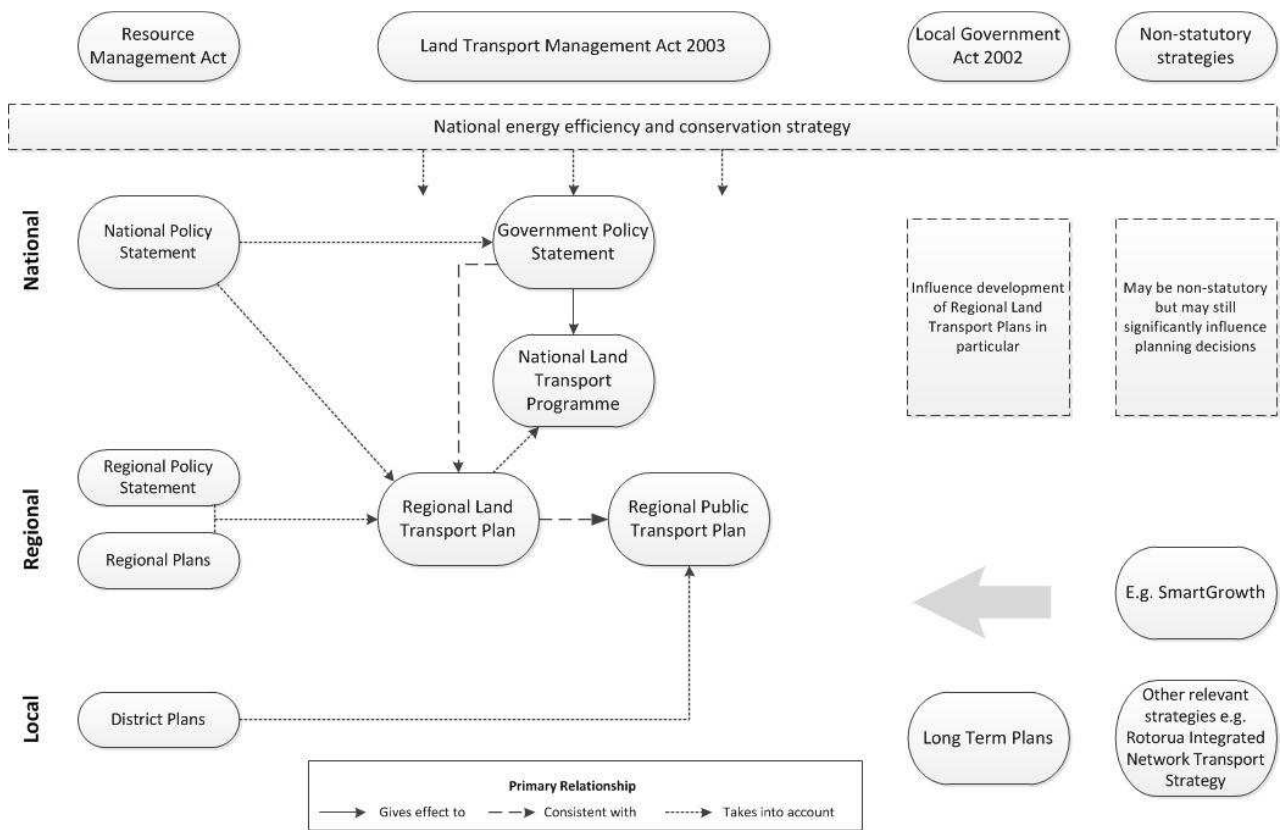
There are issues of timing between separate but linked processes required under the different Acts e.g. RLTPs developed under the LTMA and LTPs developed under the LGA. The RLTP has a minimum 10 year timeframe allowing consistency to be achieved with Government's 30 year infrastructure horizon, however local authority Long-term Plans and statutory plans under the RMA have a 10 year planning horizon.

The linkages from a SmartGrowth and regional perspective are shown below in the development of the current Regional Land Transport Plan for the Bay of Plenty region. This is similar to Diagram 8 included at page 23 of the Inquiry discussion document.

The Draft Regional Land Transport Plan 2015-2045 was released on 16 December 2015. <http://www.boprc.govt.nz/media/395674/draft-bay-of-plenty-regional-land-transport-plan-2015-2045.pdf>

The RLTP identifies land use and transport integration as one of the 9 strategic transport issues for the region, and also as an objective of the RLTP - *Long term planning ensures regional growth patterns and urban form reduce travel demand, support public transport and encourage walking and cycling.*

Land use patterns influence transport factors such as trip lengths and the viability of different modes, while the provision of transport infrastructure influences the type of land use patterns that emerge. Achieving this objective will involve integrated planning to ensure the right mix of transport provision and land use development occurs to achieve sustainable outcomes.



3.2 RMA timeframes for rezoning

Current timeframes for delivering new land supply through rezoning process under the RMA can take 5-10+ years – though there are examples of it taking considerably less time. Previously signalled changes to the RMA will make little to no difference to this. Changes to the Schedule 1 process under the RMA would assist to shorten the timeframes for delivery of “shovel ready” land for housing. However it is important to note that the RMA process is not the only impediment. It often takes several years for infrastructure planning and geotechnical suitability assessment, coupled with earthworking and constructing new Growth Areas. A shortened RMA planning process could be applied perhaps just to land needed for urban development in the

identified growth areas of NZ, through limited appeal rights to the Courts for example, and the weighting given to urban growth outcomes relative to other outcomes such as environmental and cultural outcomes in Part 2 of the RMA.

We support the views of other councils that there may be a place for specific legislation governing urban planning in the 5-6 growth areas in the country which would not be dissimilar to the approach taken with the Housing Accords legislation. Alternatively there may be merit in applying more broadly the streamlined RMA processes trialled in Auckland through the Unitary Plan, Christchurch in relation to earthquake recovery, Hamilton in relation to the Tainui inland port proposal or through the Housing Accords and Special Housing Areas Act legislation. This would require frontloading assessments into the appropriate plan delivery mechanism so the development details for new Growth Areas (geotechnical, flooding, access, roading design etc. can be fleshed out ahead of the truncated, non-appealable process commencing.

3.3 Bay of Plenty Regional Policy Statement

Urban limits for the Western Bay of Plenty subregion were introduced through Proposed Change 2 (Growth Management) to the first generation Regional Policy Statement in 2005, in line with the first SmartGrowth Strategy 2004. More recently some frustration has been voiced with the Regional Policy Statement in terms of the inflexibility of its urban limits, inability for developers to propose changes to the urban limits, and that City and District plans must give effect to it. The counter is that the certainty provided helps plan and coordinate infrastructure, saving the community considerable cost.

The second generation Regional Policy Statement became operative on 1 October 2014. It contains a suite of policies for Urban and Rural Growth Management, along with maps delineating urban limits. Refer Policies UG1A-UF24B, Appendices B-E and Methods 13-19.

<http://www.boprc.govt.nz/knowledge-centre/policies/operative-regional-policy-statement/>

A key action of the SmartGrowth Strategy 2013 is the Settlement Pattern Review project. This project will recommend those areas of land needed for residential and business uses over the next 50 years. This may then require a change to the Regional Policy Statement, which is budgeted in the Regional Council's draft Long-term Plan to commence in 2016/17. Given the 50 year planning horizon and annual monitoring that is required, there is sufficient flexibility to be able to respond to the changing demands and drivers for urban growth in the Western Bay of Plenty in a timely manner.

Experience with Change 2 is that it was appealed by developers, largely around the development density target of 15 dwellings per hectare for new Growth Areas, despite their involvement and submissions to the SmartGrowth Strategy. The same litigation then occurred through the second generation Tauranga City Plan. The 15 dw/ha target has largely been retained in these statutory plans, with some flexibility around topography and non-residential activities. Litigation is, in our experience, one of the main factors slowing the release of land in a more timely fashion. The main difficulty is that without councils requiring adherence to standards (such as development yields) short term expedience and profit can come at the expense of long-term quality environments. In this regard greater certainty as to which (if any) urban development principles the Government wants to see pursued is required so these debates can

be had at the National Policy level, not within the context of each subdivision or RPS change before the Courts.

The implementation of urban limits is an agreed land use pattern. Land sequencing and its release for residential and business development is facilitated through the implementation of urban limits. Growth management policies like those contained in the SmartGrowth Strategy which include the use of urban limits have had the following positive benefits:

- Integration of land-use, infrastructure, and funding
- Establishing clear links between the future land required to successfully accommodate growth
- Identifying existing and future infrastructure, possible costs and an equitable approach to future funding. Without this approach being taken there would be less certainty of development location, timing and costs. Also growth must pay for growth and not be imposed on existing ratepayers. In order for a local authority to forward-fund trunk infrastructure, it needs to ensure that development does not proceed in too many locations at any one time and that it can recover its investment in a manner that does not impact on the ratepayers.
- Ensuring that development does not occur in sensitive environmental or amenity areas.
- Optimising the use and capacity of existing infrastructure.
- Supporting more sustainable transport modes such as public transport through a more compact urban form.
- Encouraging a range of housing choice and style to meet the varied needs of the population.

They have also had some costs, including:

- Inflexibility and relative inability to consider new ideas
- The promotion of growth in areas that now seem less likely – with attendant infrastructure costs
- Additional plan administration.

Given the costs of providing and funding the bulk, public infrastructure necessary to support growth, until these costs are able to be fully recovered from developers, it is not financially sustainable to have total market freedom for growth locations. Although there may be situations where growth is promoted in the wrong areas, the evidence suggests that specific growth areas must be identified and services designed in a manner that supports the future land use pattern – well ahead of the development occurring. These services are often planned and funding methods put in place through a council's funding policies under its long-term plan in advance of construction as new areas are rezoned. Unless infrastructure needs and benefits are clearly identified, it is not possible to signal risk and recover the costs of these from the development community. Opening up large tracts of land in the absence of an overall structure plan (or masterplan) for the Growth Area puts territorial authorities in a potentially financially unsustainable position. Even with an overall structure plan, there is a limit to the amount of debt a local authority can carry. We understand that Tauranga City Council will be providing evidence of local examples to the Commission on these important infrastructure funding issues.

3.4 Transport Network

In some parts of the Western Bay of Plenty subregion the lack of capacity on the State Highway network is currently or will become a constraint on opening up land supply for urban development. Contributing to this is the lack of certainty around future investment to increase capacity due to the short term focus of national land transport planning. Another issue around transport is the lack of certainty around future road alignment in some cases which has been under investigation for the best part of a decade with no progress to date.

The Draft Regional Land Transport Plan 2015-2045 notes that (p.33) “In some parts of the region, housing affordability in more accessible locations may be influencing decisions to live further from workplaces. The consequences are additional, longer distance trips that create congestion on routes into major urban centres and generate demand for expensive road construction to add capacity.” A key is therefore to provide the ‘right housing in the right places’ to minimise vehicle trips overall and network congestion.

Another issue that the Western Bay of Plenty subregion faces is the challenge of dealing with increased traffic generation from urban and population growth vs the importance of keeping transport links to the Port of Tauranga free flowing. This is made all the harder because of the geography and topography of the city especially the harbour and hills which force local traffic onto the State Highway network. Because of this, significant further investment will be required in the transport network in Tauranga if NZTA is going to continue to be able to support the transport effects from additional development. It may even mean that development in some parts of Tauranga would be unsuitable because of the long-term impacts that may create on the strategic and nationally significant road network.

4. Key questions raised by the Commission

As part of its meeting with Bay of Plenty Regional Council on 12 December 2014, the following questions were raised. Those questions and Council’s response in italics are set out below.

What are the advantages and disadvantages of spatial plans like SmartGrowth? Would it make any difference if such plans were statutory or mandatory? How well do RMA, LTMA and LGA plans reflect SmartGrowth objectives?

The main advantage of the SmartGrowth approach is to bring together local government, tangata whenua and central government agencies (such as NZTA) in determining agreed outcomes and actions for growth management and community development in the Western Bay of Plenty subregion. It is about collaboration and pulling together an agreed evidence base.

The SmartGrowth Strategy has been embedded (where needed) in statutory documents, such as the Regional Policy Statement, Regional Land Transport Plan and City/District Plans. The SmartGrowth principles and outcomes are well reflected in these planning documents meaning, to an extent, there is good coordination across large investments.

There would be benefits to the sub-region and region if spatial plans were legislatively required as the current model requires voluntary collaboration. An example where greater

benefit would have occurred is that, despite SmartGrowth having a recommendation for several years to work towards one district plan for the sub region, this action has not been implemented. It may well assist other areas however and could be strengthened through a statutory requirement. This would help regions like the Bay of Plenty, where growth in one area is potentially impacting others, to have an easier job of coordinating and integrating individual growth plans.

The release of greenfield land for urban growth provision in the Western Bay of Plenty, determined through the SmartGrowth settlement pattern and embedded in the Regional Policy Statement has been carefully sequenced to minimise any negative effect of land supply issues in the sub-region, and to avoid having development open on too many fronts. A significant consequence of not sequencing development is that too many development choices means that Councils take a long time (or risk non-recovery altogether) to recover infrastructure investment through financial or development contributions. This can negatively impact balance sheets.

It is sometimes argued that there is an inherent tension between the role of city/district councils (as users of the environment) and regional councils (as environmental regulators). Do these tensions exist in the Bay of Plenty? How are they managed?

Yes, such tensions exist, but are managed through communication and a no surprises basis. The SmartGrowth Way sets out how such tensions are to be resolved between the SmartGrowth partners. The issue is in ensuring that all elected members and staff of all three councils are on the same page.

For example, Tauranga City Council wish to recoup the cost of the \$102.4 million Southern pipeline wastewater scheme, so are seeking to enable greenfield development in the Southern Corridor. By contrast NZTA has invested a significant piece of roading infrastructure in the Eastern Corridor with a road of national significance (Tauranga Eastern Link) at a cost of \$455 million on the basis of the SmartGrowth settlement pattern, as well as Port of Tauranga transport needs (among other matters).

The ability to provide land for housing within the existing Tauranga urban area is a concern for the Regional Council in seeking to achieve a compact urban form and integrate land use with infrastructure. SmartGrowth originally required a growth split of 75% greenfield and 25% from growth within existing urban areas (both infill and intensification). The amount of infill/intensification within Tauranga over recent years has been 5-6%, should this be sustained without intervention or incentives, then coupled with a lower household occupancy rate in allocating the University of Waikato 2014 demographic projections (future population growth) across the City, the net effect is that a greater amount of greenfield land is needed to 2061 than currently provided for in the RPS urban limits to 2051. Reliance should not be on nearly all future development being new greenfield land, given the need to minimise the urban footprint of Tauranga and its impact on productive rural land. Other effects include potentially creating an unsustainable reliance on roading infrastructure to connect dispersed people to work and health services.

How does Bay of Plenty Regional Council coordinate its water infrastructure and public transport planning with land use planning by the city and district councils? How well does this work? Are there areas for potential improvement?

Bay of Plenty Regional Council has no water infrastructure. It does however play a key role in providing public transport for the region.

The primary Regional Council mechanisms for co-ordinating public transport planning with land use planning are the Regional Land Transport Plan (RLTP) and the Regional Public Transport Plan (RPTP). The RLTP integrates with land use plans such as SmartGrowth and establishes an over-arching direction for transport policy. The RPTP applies a more specific set of public transport policy settings to give effect to this over-arching direction.

Ensuring there is an agreed land use pattern facilitates better transport outcomes, as has been seen in the Western Bay of Plenty subregion. Effective transport systems support agreed land use patterns. The Regional Policy Statement and SmartGrowth Strategy 2013 set minimum densities to be achieved so that travel demand management targets, in particular a shift to public transport, can be met. Transport can also influence housing affordability. For example the costs of transport and other household expenses for the average income will be increased if there is less access to housing or housing is located far away from places of employment and recreation. More accessible and affordable housing will be in residential areas of increased densities and greater access to transport facilities. This level of integrated planning is enabled through an agreed land use pattern which helps to manage land supply in a manner that imposes the least cost to ratepayers.

In your view, how well do the Resource Management, Land Transport Management and Local Government Acts interact? Where do the main challenges for regional councils arise?

From a LTMA perspective, the links with the RMA have become less explicit following LTMA amendments in 2013. For example, removal of the requirement for RLTPs to take into account the regional council's function in section 30(1)(gb) of the RMA to consider the strategic integration of infrastructure with land use through objectives, policies, and methods.

There are considerable challenges around the timing of separate but linked processes under the LTMA and LGA. For example, the current RLTP must be finalised by April 2015 to enable the NZ Transport Agency to publish the National Land Transport Programme in June 2015. Local authority transport programmes form a key part of the RLTP. However, these programmes are developed through local authority Long Term Plan processes that are operating according to different timeframes (finalised by June 2015). This means the RLTP needs to be consulted on and finalised before the process of developing and consulting on local authority transport programmes has been completed.

Do you have a view on the upper limits of the region's capacity to absorb growth, from an environmental perspective?

The region's local authorities, led by BOPRC, are developing a regional spatial plan through Invest Bay of Plenty. Invest Bay of Plenty has undertaken significant research over the past 12 months, including settlement patterns, infrastructure capacity, the importance of the Māori Economy and the impact of our ageing population. That research is available at the link below.

<http://www.boprc.govt.nz/sustainable-communities/regional-development/invest-bay-of-plenty-our-place-in-the-world/updates-and-technical-reports/>

Research undertaken by BERL consultants has looked at three future scenarios for the region with further work on employment/skills needs. This has shown that while population growth may be occurring in the Western Bay, the future employment needs relative to population will be in the Eastern Bay and Rotorua.

For the Western Bay of Plenty the capacity to absorb growth is constrained by geography, with Tauranga Harbour and steeper land or swampy peat land. The location of Māori land also limits where growth may occur. There is a need to minimise the loss of productive rural land, especially around Te Puke and Katikati, given the importance of the kiwifruit industry nationally. Geographic barriers to the West (Wairoa River) and East (Kaituna River) mean further growth along the coastal "belt" of Tauranga City is unlikely.

Coupled with this is the cost of infrastructure and the ability to provide infrastructure solutions to increasingly dispersed and elderly populations. We need however to avoid new greenfield areas being driven solely by the location of infrastructure. It needs to be a managed response involving developers, central and local government and key community stakeholders, having regard of known long-term factors like population ageing, fiscal pressure and climate change.

Bay of Plenty Regional Council

22 December 2014