Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

2 July 2021

Submission on He Tūāpapa ki te ora, Infrastructure for a Better Future.

Kia ora koutou,

We welcome the opportunity to provide feedback on He Tūāpapa ki te ora, Infrastructure for a Better Future.

We would like to start by acknowledging the work that has gone into the preparation of the strategy, and the important role that the New Zealand Infrastructure Commission - Te Waihanga plays in coordinating, developing and promoting an approach to infrastructure that will improve the well-being of New Zealanders.

Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development is responsible for the leadership and performance of New Zealand's housing and urban development system and for joining up responsibilities and resourcing across government. As stewards and shapers of the system we are responsible for strategy, policy, funding, monitoring and regulation.

Infrastructure is a critical enabler for the housing and urban development system, and the thriving communities we seek to enable.

We support the Proposed Vision for infrastructure 2050: Infrastructure lays the foundation for the people, places and businesses of Aotearoa New Zealand to thrive for generations. We further support the proposed Outcomes and Decision Making Principles set out in the strategy, and the categorisaton of areas of required change into the three proposed Action Areas.

We have focused our submission on a few key areas under each of the Action Areas, and provided high level comments on these. Even if all the action areas outlined in the strategy are addressed we do not think that will be sufficient to address the infrastructure issues facing the country, but are a positive step forward.

We look forward to continuing to discuss the infrastructure issues Aotearoa New Zealand faces, and would be happy to meet with you directly on the key points raised in our submission.

[redacted]

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Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development
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Feedback on He Tūāpapa ki te ora, Infrastructure for a Better Future.

General comments

Historic underinvestment in infrastructure and increased expectations around levels of service, including responding to climate and population change, mean councils and other infrastructure providers are facing significant costs to renew poorly performing assets in addition to meeting the costs of growth.

As noted in the strategy there is a substantial backlog of infrastructure that needs to be built. New infrastructure is required to cope with the demands of growth, in addition to the maintenance and improved levels of service required of existing infrastructure.

The strategy calls out that the aspirations for infrastructure appear to greatly exceed that which is currently planned or able to be funded, highlighting a need for a long term infrastructure strategy which uses demand management, new funding and financing, and productivity improvements. While the strategy addresses demand management through recommendations like pricing strategies, we thought there could have been more recommendations on both funding and financing of infrastructure and how to achieve productivity improvements. Even if all the action areas outlined in the strategy are addressed we do not think that will be sufficient to address the infrastructure issues facing the country.

We support the Proposed Vision for infrastructure 2050 as well as the proposed Outcomes and Decision Making Principles set out in the strategy, and the categorisaton of areas of required change into the three proposed Action Areas.

We think that the size and scale, funding needs and potential impacts of the infrastructure challenge facing the country could have been explored more, so expectations are clear.

In relation to long term trends on the infrastructure horizon, we thought demand-side factors could also have been called out, such as changes in individual preferences and societal values/norms. For example, the shift to flexible working and increased working from home has a potentially significant impact on peak demand for transport networks, or increasing environmental awareness driving higher expectations about water quality and subsequently waste/stormwater treatment standards. Where population change is considered here, we thought that a shift towards smaller households could also have been recognised, as this has implications for both the quantum and typologies of housing needed in the future, and consequently the urban form of our cities and towns.

We have addressed our feedback below at each of the three Action Areas.

Building a Better Future – Delivering infrastructure that is resilient to stresses and shocks and ready for change.

We agree with the needs identified in this section, and outline some additional considerations.

- While we support the recommendation in F1.1 that business case guidelines are adapted to ensure full consideration of the climate change impacts of specific projects, we consider these impacts should be assessed at an earlier strategic stage, during development of spatial plans or proposed regional spatial strategies.
    - Our cities are shaped by decisions about the location and nature of urban form, which consequentially lock in long-term behaviour and associated emissions impacts.
    - We therefore consider the emissions implications, including the embodied carbon of different urban form options should be assessed at a strategic level early at the spatial planning process, prior to consideration of specific projects.

    - This will assist to understand the role that accessible, transit-oriented, mixed-use, human scale urban development combined with the right infrastructure can play in reducing emissions.

- We submit that the embodied carbon in infrastructure projects needs to be assessed. While this was mentioned on page 47, there was not a specific recommendation on this topic. There is no agreed methodology to do this, the development of a methodology to improve the evidence base in this area would be ideal. Good assessments of embodied carbon, and feeding that evidence into decision making could help to shift some projects towards green infrastructure/nature-based solutions which may have significant co-benefits.

- While touched on in the document (page 50), we suggest greater emphasis is given to optimising existing infrastructure to address more immediate challenges – climate change and housing affordability. The strategy recognises the lumpy nature of infrastructure but should also recognise the long lead in time for large scale infrastructure responses – for example new mass rapid transit networks, motorways, bulk watermains, wastewater interceptors take many years to plan, design, procure and construct.

- While it is important to progress long-term solutions, there are opportunities to optimise existing assets, and progress quick, smaller scale tactical responses to address more immediate challenges of housing affordability and climate change. This may require some challenging decisions, such as changing zoning to allow for more houses to be constructed in older established neighbourhoods that already have good access to amenities and jobs, or reallocating existing road space to public transport, walking and cycling, for example by the provision of additional bus lanes (and associated service frequencies) and cycle lanes.

- We support recommendation F1.5 on enabling active modes of travel; as these and public transport are useful as the 'spines' of future urban areas (and as a goal for urban renewal). We note that local amenity, and mixed-use, human scale development as well as local walkability and cycle infrastructure, not just density, are ways to support mode shift.

- We commend F1.5's recommendation that the density of housing be increased (through up-zoning) in areas within a cycling catchment of all major employment areas as a way to improve the uptake of low-carbon transport options. This recommendation aligns with the National Policy Statement on Urban Development (NPS-UD) which removes overly restrictive barriers to development to allow growth 'up' and 'out' in locations that have good access to existing services, public transport networks and infrastructure. One way in which it does this is by requiring tier 1 urban environments to permit higher density (heights of at least six storeys) within city centre and metropolitan centre zones, and walkable catchments of existing and planned rapid transit stops, and edges of city centre and metropolitan centre zones.

- We agree with the need to partner with Māori, and this collaboration leading to better outcomes for all. We note that this recognises and respects the Crown's responsibility to consider and provide for Māori interests. We have a framework for action, Te Maihi o te Whare Māori – Māori and Iwi Housing Innovation (MAIHI) which puts Māori at the heart of Aotearoa New Zealand's housing narrative, acknowledges the history of Māori housing and responds to these needs through kaupapa Māori approaches.

- We would support more consideration of the uses and benefits of integrating natural and semi-natural areas in the urban environment. Green and blue infrastructure respectively relate to using vegetation (e.g. street trees or green roofs) and water elements (e.g. rivers or water treatment facilities) to provide services to people and communities, while maintaining or improving ecosystem health and resilience. For example, some co-benefits of using green and blue

infrastructure include stormwater or flood management, climate adaptation and emissions reduction. There is scope for better integration of natural assets (covering both green and blue infrastructure) with other categories of infrastructure. Investment in natural infrastructure will be key to building resilience to climate change. As such, we support the inclusion of recommendation C2.6 on water-sensitive urban design, and would support more consideration of the benefits and uses of natural infrastructure.

- On recommendation F4 we consider there may be merits in exploring a national population strategy to usefully inform spatial planning. This could provide some broad parameters (scenarios) for which spatial plans or broad regional spatial strategies need to plan for – providing for sufficient development capacity to be responsive to changes in the rate of growth and to encourage competition for development opportunities, while ensuring there are realistic growth assumptions on a regional / metropolitan scale – there is only so much growth to spread around NZ.

<u>Enabling Competitive Cities and Regions – Ensuring that our infrastructure systems support the needs of people living in cities and regions and improve our connections both within New Zealand and with our markets overseas.</u>

We support changes which will make the planning system more responsive and fit for purpose. Restrictive zoning as well as underinvestment in infrastructure have limited both the amount of land that can be used for residential development and the density at which land may be developed, negatively impacting housing affordability. Further, decisions around land use, transport, water and community infrastructure are often not aligned.

The definition of the problem discusses pressures in our main urban centres pushing growth to the regions. We consider this section should also recognise the negative impact of this from a national productivity / economic perspective – that high costs of living are also barriers for people moving to our main centres where they may be most productive due to agglomeration benefits.

In relation to enabling a responsive planning system we support the need to enable a more responsive planning system. However, this section should discuss the challenges this may pose for current infrastructure planning practice, and the need to develop new ways of working.

A more responsive planning system is intended to improve housing affordability through enabling much greater development opportunities across many locations – and therefore drive competition in urban land. This means there will be greater uncertainty about how and where development opportunities could be 'taken up' over time, and which infrastructure provision will need to respond to. This may require a significant change for some infrastructure providers from planning for one 'most likely' future growth scenario to needing to plan for a variety of scenarios, and monitor and respond to where growth is realised. New tools and ways of working many need to be developed by the sector to enable a more responsive planning system.

We suggest a shift in practice is needed that considers a range of future scenarios, and clearly identifying the trigger points / thresholds for when new infrastructure investment is required. These should be based on demand / uptake of development in the respective infrastructure catchments.

This also has cost implications – for a responsive planning system to improve affordability, the provision of infrastructure needed to enable development must be considered plausible by the market. While identifying and protecting future infrastructure corridors early may be beneficial, this must be supported by credible means to fund and implement development infrastructure if an enabling planning system is to lead to improved housing affordability benefits.

We suggest a new action is needed – to work with the sector to develop scenario-based approach to infrastructure planning, based on demand based triggers / thresholds.

- Recommendation C1.1 proposes accelerating the implementation of the National Policy Statement on Urban Development (NPS-UD) requirements to upzone around rapid-transit and centre zones. We support this suggestion and the Ministers of Environment and Housing have publicly said that they are looking at accelerating the implementation.

- A number of the needs and recommendations (on both this and the section on creating a better system) touch on things which are being considered as part of the Resource Management Acts reform process, which is useful. We agree that it is important that the reforms to the resource management system better enable infrastructure, including reflecting the ways in which infrastructure can support social and environmental outcomes.

- It was sometimes unclear whether the issues identified with resource management reform were in relation to the panel report or to the government work programme. Recommendations in this area may need to be updated to reflect current policy.

- We support recommendation C1.2 – developing National Planning Standards as we see the advantages of standardisation and certainty.

- Recommendation C1.4 proposed a review of major public landholdings. We note that LINZ has a prototype of a central record of state land available online at Central Record of State Land | Toitū Te Whenua Land Information New Zealand (linz.govt.nz). It details all identified state land across New Zealand, and the administering agency. This provides a useful base for a review. We are interested in exploring the incentives on administering agencies to release land for more pressing needs, for example housing.

- In relation to coordinating the delivery of housing and infrastructure we agree that this is critical, and agree that spatial planning is needed to improve long-term coordination between housing and infrastructure. We also agree there are opportunities to focus housing development in locations where there is capacity in existing networks or where there are low cost opportunities to upgrade. The recently announced Housing Acceleration Fund aims to speed up the pace and scale of home building across New Zealand. A significant component of this is an infrastructure fund to unlock a mix of private-sector and government-led developments in locations facing the biggest housing supply and affordability challenges.

- Improved coordination of housing and infrastructure needs to be underpinned by better data and analysis of the current state and capacity of infrastructure networks. Our experience from spatial planning as part of the Urban Growth Partnership programme, and Housing and Business Capacity Assessments as part of the National Policy Statement – Urban Development have highlighted the need for improved tools and approaches to better understanding of infrastructure capacity at a strategic level (across metro areas by suburb and neighbourhood scales) to inform strategic decisions about the relative costs of growth in different locations.

- Currently information on the capacity within existing infrastructure networks is generally not available at a resolution that usefully informs strategic, spatial decision making – such as understanding the infrastructure costs implications for urban regeneration areas. Recent experience suggests that the true infrastructure costs are only fully understood once detailed assessment are completed, often occurring after an area has already been identified as a priority for redevelopment. The document should include an action to develop a best practice, nationally consistent, methodology to assess infrastructure capacity (and costs) to inform strategic decision making about growth opportunities.

- We agree that pressures on infrastructure provision can be reduced through increasing the use of transit oriented developments, or by increasing density where there is capacity in existing networks or where there are low-cost opportunities to upgrade networks, with the caveat that capacity issues are not always well understood. We therefore support recommendation C2.3 to improve information on infrastructure capacity and costs to service growth, and the option to require infrastructure providers to publish data on the condition of their infrastructure (including GIS spatial data).

Creating a Better System – A step change in how we plan, design, fund and deliver infrastructure.

The strategy covered difficulties in funding infrastructure, but the scale of the funding needed for infrastructure is significant, and despite mention that there may be scope to consider alternative financing mechanisms there are no specific suggestions for a review of how infrastructure should be funded. We saw this as a significant gap. This goes to question Q29 – the existing funding and financing arrangements do not appear suitable for responding to infrastructure provision challenges, and the specific recommendations in the strategy will not go far enough to fill the likely funding gap.

At page 30 the need for a long term infrastructure strategy which uses demand management, new funding and financing, and productivity improvements was called out, but we didn't feel the new funding and financing elements of this were canvassed well in the recommendations.

The provision of infrastructure does face binding financing constraints. In some cases these can be alleviated through alternative financing approaches (e.g. the Infrastructure Funding and Financing Act) or relaxations in the LGFA debt caps on councils, but the ability to fund the infrastructure is a constraint on borrowing. Although we can ensure through price setting that growth pays itself, much of the infrastructure spend identified for the future is not about growth, but increasing service levels, renewals, rectifying a generational failure to maintain sufficient public investment, and investing to mitigate and adapt to the effects of climate change.

We support the recommendations in this section of the strategy, but see the need for more to be done in this area, particularly around how we might think differently about funding and delivery given the scale of the challenges.

- The strategy notes that a more comprehensive approach should be taken to stepping outside the current Resource Management Act planning paradigm. It is unclear whether this is intended to reflect on the report adopted by the Government in December, or the progress since. Further detail and recommendations as to how the planning regime could be reset would be appreciated.

- It is unclear how some of the recommendations proposed would align with the current reform process. For instance, recommendation S7.3 suggests that different environmental management rules should apply to the natural and built environments. It is unclear how separate rules could be applied where both environments are affected, such as at the rural-urban boundary or when considering a development adjacent to a park.