Urban Growth Agenda: Proposed approach

Proposal
1. This paper seeks Cabinet endorsement of the proposed approach to the Urban Growth Agenda.

Executive summary
2. Our Urban Growth Agenda (UGA) is an ambitious and far reaching programme. It is designed to improve outcomes for New Zealanders by addressing the fundamentals of land supply, development capacity, and infrastructure provision.

3. The UGA will deliver medium to long-term changes needed to system settings to create the conditions for the market to respond to growth and bring down the high cost of urban land. It will improve housing affordability and support thriving communities.

4. Our main objective for the UGA is to improve housing affordability, underpinned by affordable urban land. This will be supported by wider objectives to:

   4.1. Improve choices for the location and type of housing;
   4.2. Improve access to employment, education and services;
   4.3. Assist emission reductions and build climate resilience; and
   4.4. Enable quality built environments, while avoiding unnecessary urban sprawl.

5. Our aim is to plan to accommodate and manage growth, but not to plan to drive growth in the population. To achieve our objectives we propose five interconnected pillars of work that cover key aspects of urban and infrastructure planning and provision:

   5.1. Infrastructure funding and financing - to enable a more responsive supply of infrastructure and appropriate allocation of cost.
   5.2. Urban Planning – to allow cities to make room for growth, support quality built environment and enable strategic integrated planning.
   5.3. Spatial planning (initially focused on Auckland and the Auckland-Hamilton corridor) – to build a stronger partnership with local government as a means of developing integrated spatial planning.
5.4. Transport pricing – to ensure the price of transport infrastructure promotes efficient use of the network.

5.5. Legislative reform – to ensure that regulatory, institutional and funding settings are collectively supporting the UGA objectives.

6. We intend to report back to Cabinet in the first half of 2019 on the results of this work and present options on the nature and degree of system reform, including potential legislative changes that are required to give effect to the UGA. This may have wider implications for the way we plan for and enable development, the way we manage our natural resources and the roles of central and local government.

7. Further, there are significant interdependencies between the UGA and other areas of work across government. The areas of work that relate closely to the UGA include KiwiBuild, the urban development legislation, the National Policy Statement on Urban Development Capacity and the proposed National Policy Statement for Versatile Land and High Class Soils, improvements to our building and construction regulatory system, the Three Waters Review, the inquiry into local government funding, the Government Policy Statement on Land Transport 2018, work on climate change mitigation and resilience, and work on improving fresh water quality. Consequently, any options for reform under the UGA will need to be integrated with these wider programmes to ensure that our outcomes align.

Background

8. Cabinet will also be considering our proposed direction, priorities, and approach for housing and urban development over the next three years at this Cabinet Committee.

9. Our Housing and Urban Development programme aims to end homelessness, make room for growth in our urban areas, deliver more public and affordable housing, and help create thriving communities.

10. This programme is central to meeting many of our wider social, economic and environmental priorities. Well-functioning urban areas are vital to improving the wellbeing and living standards of all New Zealanders, including reducing homelessness and child poverty. Cities are important to delivering a stronger, more diverse, inclusive and productive economy. They also contribute to our goals of improving fresh water quality, building a net zero economy, and preparing New Zealand to deal with the effects of climate change.

11. A key aspect of our housing and urban development programme is implementing the right policy, regulatory, investment and institutional settings that underpin our housing and urban development system.

12. We need all of our system settings and frameworks to appropriately enable urban growth and be responsive to change. Planning and investment in urban development, infrastructure and transport need to be better integrated and aligned. Our urban areas need to be designed in ways that provide access to jobs, education, amenities, and other services that are essential to thriving, resilient communities.

13. The high cost of housing and problems of homelessness are partly due to deep seated problems with the operation of our urban land markets, and how infrastructure is planned, funded, and financed.

14. Our current urban and infrastructure planning and delivery system is characterised by a reliance on restrictive land use regulation and the controlled release of future urban
land to influence urban development. Restrictive zoning, including height and density controls, are also a constraint in some locations.

15. We believe that our current infrastructure funding and financing system is broken. Councils, which provide most local infrastructure, are hindered by financial constraints. The undersupply and the just in time sequencing of infrastructure for expansion enables low competition between a small number of landowners. In recent years the marginal costs of growth have not been met, leaving a growing bow-wave of unfunded infrastructure costs facing central and local government. Declining service levels as a result of under investment in capacity in existing urban areas can also limit development opportunities. The infrastructure challenges are magnified by deeper institutional issues, misaligned incentives, and minimal central government monitoring and oversight.

16. The cumulative effect of land use and infrastructure constraints has been to drive up land prices, restrict housing supply and choices, and encourage land-banking and speculation. These problems have been exacerbated by demand drivers, such as population growth, tax settings, and problems with our construction sector capacity and productivity.

**Objectives and approach to the Urban Growth Agenda**

17. Our Urban Growth Agenda (UGA) is an ambitious and far reaching programme. It is designed to address the fundamentals of land supply, development capacity, and infrastructure provision by removing undue constraints on the supply of land and infrastructure, greatly increasing development opportunities in both brownfield and greenfield areas, and ensuring the full costs and benefits of urban development are understood and allocated appropriately.

18. The UGA will deliver medium to long-term changes needed to system settings to create the conditions for the market to respond to growth, bring down the high cost of urban land to improve housing affordability and support thriving communities. Our aim is to plan to accommodate and manage growth, but not to plan to drive growth in the population.

19. Our main objective for the UGA is to improve housing affordability, underpinned by affordable urban land. This will be supported by wider objectives to:

19.1. Improve choices for the location and type of housing;
19.2. Improve access to employment, education and services;
19.3. Assist emission reductions and build climate resilience; and
19.4. Enable quality built environments, while avoiding unnecessary urban sprawl.

20. While affordable housing is our main objective, it is one of several elements that are important for thriving, resilient communities. Providing housing choices at a wide range of price points, typologies, and locations is necessary to meet the needs of an increasingly diverse population. Promoting quality built environments can help deliver urban forms that are more energy efficient, mitigate negative impacts on the environment, support a variety of low emission transport modes, support environments that are accessible to all, and provide communities access to jobs, services (including social services such as education and health) and other amenities.
21. To achieve our objectives we propose five interconnected pillars of work, with multiple dependencies, that cover key aspects of urban and infrastructure planning and provision:

21.1. Infrastructure funding and financing;

21.2. Urban Planning;

21.3. Spatial planning (initially focused on Auckland and the Auckland-Hamilton corridor);

21.4. Transport pricing; and

21.5. Legislative reform.

22. These pillars will collectively shift the approach New Zealand takes to urban development and infrastructure provision, including the mix and use of available instruments and levers that provide for growth and change. Our Urban Growth Agenda will provide greater flexibility for development opportunities and greater investment certainty through more effective long-term strategic planning by central and local government.

23. The matters to be covered by each pillar are outlined in the tables below.

**Pillar 1: Infrastructure funding and financing**

This pillar will enable responsive infrastructure provision and appropriate cost allocation, including the use of project financing and access to financial capital. It aims to reform infrastructure funding and financing through:

- Providing a broader range of tools and mechanisms to enable net beneficial bulk and distribution infrastructure to be funded;
- Rebalancing development risk from local authorities to the development sector; and
- Making long-term debt finance available to developers willing to take on the commercial risk, with the debt serviced by revenue from the new properties in a development.

**Pillar 2: Urban Planning**

This pillar will allow cities to make room for growth (both up and out) by addressing planning rules and methods and practices that can restrict development (such as urban containment settings and density restrictions). This pillar will enable strategic integrated planning in order to significantly increase development opportunities, and support quality built environments.

This pillar will have four parts:

- *Enabling growth*: addressing planning regulation, methods and practice (culture) that act as roadblocks to the delivery of both brownfield and greenfield housing ('up and out').
- *Quality built environments*: defining clear, concise and unambiguous built environment principles at a variety of scales, from the site and street level
through to the city level in terms of urban form.

- **Strategic integrated (spatial) planning**: providing a framework for strategic integrated planning through methods such as spatial planning, that are fit for purpose, to apply throughout New Zealand. This part will be informed by lessons from the Auckland Development Strategy work.

- **Understanding and measuring the wider costs and benefits of growth**: measuring a broader range of costs from urban development (greenfield and brownfield) at the strategic urban systems, programme and project levels. An improved understanding and measurement of costs and benefits will lead to better informed decisions and aid in planning decisions of what, where and when to develop and inform better cost allocation.

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**Pillar 3: Spatial planning**

This pillar will build a stronger partnership with local government as a means to developing pro-growth and integrated spatial planning to achieve urban growth at pace and scale.

Initially, there are two parts to this pillar, the Auckland Development Strategy and associated Implementation Programme, and the Auckland-Hamilton Corridor Plan. This pillar has a more immediate operational and delivery focus than the other UGA pillars.

The *Auckland Development Strategy* work will involve central government engaging with Auckland Council over three phases:

- Intensive engagement as part of the 'draft Auckland Plan 2050', focused on seeking alignment on the plan's current Development Strategy, which is due for adoption in June 2018;

- The development of a ten year (2018-2028) Auckland Development Implementation Programme; and

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**Pillar 4: Transport pricing**

This pillar will seek to price transport infrastructure to efficiently manage demand across the network and promote access and efficient urban form.
This pillar will focus on three areas:

- Investigation into congestion pricing options for Auckland through the Auckland Smarter Transport Pricing Project (also referred to as the Congestion Question project);
- Pricing the full marginal costs of providing for growth infrastructure so that households and businesses can internalise these costs into their location decisions; and
- Providing advice on the future of the transport revenue system. This will consider a range of transport and revenue options aimed at a more sustainable and equitable future transport revenue system. More sophisticated forms of transport revenue collection (e.g. an electronic distanced based system) could potentially enable different pricing for use of the network (e.g. the ability to charge by factors such as time and location) and externalities (e.g. congestion, harmful emissions).

**Pillar 5: Legislative reform**

This pillar will ensure the Urban Growth Agenda pillars are mutually reinforcing and that the regulatory, institutional and funding settings under the Resource Management Act (RMA), Local Government Act (LGA), and Land Transport Management Act (LTMA) are collectively supporting the UGA objectives.

This pillar will focus on two areas:

- Providing options for legislative changes to the urban and infrastructure planning system to ensure it is responsive to growth and provides for thriving communities. It will provide options for how to move towards a planning system that is more aligned and integrated across its functions and decision making processes, and has institutional structures that are fit for purpose; and
- Ensure that the UGA is aligned with related and complementary government programmes (see below). The new approaches and models, developed as part of the urban development authority will inform the system wide advice developed through this pillar.

**Urban Growth Agenda work programme over the next six months**

24. We intend that over the next 6 months UGA Ministers, and other Ministers where appropriate, will receive advice and make decisions on:

24.1. Infrastructure funding and financing options to progress over the short, medium and long terms. Developing options will involve engaging with councils on their proposed 2018 Long Term Plans, and testing options with them and other stakeholders;

24.2. Finalising the current 2018 Auckland Plan (and its Development Strategy), the joint Auckland Development Programme (implementation plan) and

Redaction consistent with the Official Information Act 1982, s 9(2)(f)(iv)

These will identify opportunities to progress KiwiBuild objectives and both urban regeneration and greenfield development projects;
24.3. Redaction consistent with the Official Information Act 1982, s 9(2)(f)(iv)

24.4. Assessing options for using national direction under the RMA to encourage quality urban intensification;

24.5. Working with Auckland Council on a new approach to spatial planning in the growth corridor that replaces urban containment with making room for growth; and

24.6. Understanding and measuring the wider costs and benefits of urban and infrastructure development at the system, programme and project levels.

25. We intend to report back to Cabinet in the first half of 2019 on the results of this work and present options on the nature and degree of system reform, including potential legislative changes that are required to give effect to the UGA. This may have implications for the system settings for environmental management, and the roles of central and local government.

26. The UGA will be delivered through a cross-agency programme led by the Ministry of Business, Innovation and Employment and the Ministry for the Environment, and including the Treasury, Ministry of Transport, and the Department of Internal Affairs.

27. Working closely with local government, as the primary implementers of the urban development system, will be critical to progressing the UGA.

28. A diagram showing the high level focus of the work across the UGA over the next 12 months is attached as Appendix One.

Relationship with other areas of work

29. There are significant interdependencies between the Urban Growth Agenda and other areas of work across Government. In particular, the Housing and Urban Development programme, of which the UGA is a part, is broad ranging and will require joint work across a range of portfolios and careful sequencing and prioritisation.

30. Key areas of work that relate closely to the UGA include:

Housing and urban development projects that are critically dependent on the UGA

30.1. KiwiBuild is a key aspect of our housing and urban development programme that aims to deliver 100,000 affordable homes over the next 10 years. Successful delivery will depend on the UGA being able to set the right policy, regulatory, investment, and institutional settings to support delivery.

30.2. The urban development legislation will establish an urban development authority and provide planning and consenting, land assembly, infrastructure and funding powers that can be used to deliver complex urban development projects.

30.3. The UGA Spatial Planning pillar, through work on Auckland’s Development Strategy, will help identify development project areas that can be delivered through KiwiBuild and the urban development authority.

Other housing and urban development projects that will inform the UGA

30.4. The National Policy Statement on Urban Development Capacity requires high growth councils to prepare future development strategies by the end of 2018. The UGA will build on this opportunity to partner with councils to align land use
planning with infrastructure investment decisions through the Urban Planning and Spatial Planning pillars.

*Non-housing and urban development projects with significant links to the UGA*

30.5. The Three Waters Review aims to deliver system wide performance improvements in the provision of stormwater, wastewater and drinking water infrastructure. Alternative infrastructure funding and financing mechanisms developed under the UGA will also be relevant to three waters infrastructure provision and work on institutions, governance and regulation of water providers will inform the Infrastructure Funding and Financing and Legislative Reform pillars.

30.6. The inquiry into local government funding (“A decade after Shand”) will consider the adequacy and efficiency of existing local government funding and financing frameworks, and potential new funding and financing tools. The inquiry can be informed by the UGA Infrastructure Funding and Financing pillar.

30.7. The Government Policy Statement on Land Transport 2018 emphasises transport’s contribution to urban function and regional prosperity, including integration of transport and urban development. It also prioritises increased investment in public transport, active modes, increased access to economic and social opportunities, and safety and resilience in investment decisions.

30.8. Work on climate change mitigation and resilience. Work under the Urban Planning pillar (including developing principles for quality built environments, promoting strategic integrated planning and understanding the wider costs of growth) as well as transport pricing will promote choices in our planning system that have better outcomes for the climate (i.e. both reducing emissions and improving resilience).

30.9. Work on improving fresh water quality in urban areas will consider the significant investment involved, and the need to halt the degradation of freshwater quality.

30.10. There are ongoing improvements to our building and construction regulatory system, including improving consenting processes, supporting the use of more innovative and productive building techniques and materials, and addressing issues with risk and liability.

31. Officials will continue to work together across these various projects to ensure coordination and identify opportunities to connect advice to produce a cohesive response. In particular, any options for reform under the UGA will need to be integrated with these wider programmes to ensure that the outcomes align.

**How we could see growth occurring in practice**

32. Growth enabled through the UGA would likely take a phased and sequenced approach targeting growth within existing urban centres before greenfield development.

33. For example, in Auckland we will firstly emphasise urban intensification and regeneration projects in existing areas, particularly along transport corridors and urban centres. Development in already planned greenfield areas would take place alongside this.
34. Our attention will then focus on new transit-oriented development occurring within existing nodes. Development opportunities will be identified collaboratively with local government and other stakeholders.

35. Finally, new leap-frog greenfield development would be enabled beyond the current Future Urban Zone with a priority towards the South of Auckland. This step would be subject to new spatial planning and cost allocation tools to mitigate risks and ensure an efficient urban growth pattern occurs. The majority of this growth would be within Auckland's existing administrative boundary.

**Governance arrangements and timeframes**

36. We propose that Ministerial oversight of the UGA be led by the Minister of Housing and Urban Development, the Minister for the Environment, the Minister for Infrastructure, and the Associate Minister for Transport. We will work with Housing and Urban Development Ministers and other Ministers where appropriate. The Infrastructure Funding and Financing pillar will closely involve the Minister of Finance. Given the significance of Local Government, the Minister of Local Government will also be consulted.

37. The first initiatives under the UGA Spatial Planning pillar involve new partnerships with Auckland and Waikato councils and iwi. This will require engagement with local leaders at key stages.

38. We intend to report back to Cabinet in early 2019 on the results of the work described above and present options on the nature and degree of system reform, including potential legislative changes that are required to give effect to the UGA. Our intention is to present a co-ordinated package of measures that is aligned with other related and complementary Government workstreams.

**Consultation**

39. This paper has been prepared by the Ministry for the Environment and the Ministry of Business, Innovation and Employment. The following agencies have been consulted: Treasury, Ministry of Transport, Department of Internal Affairs, Te Puni Kōkiri, Housing New Zealand Corporation, Ministry of Social Development, Office for Disability Issues, New Zealand Transport Agency, Ministry of Education, Ministry of Health, Department of Conservation, Ministry of Primary Industries and Land Information New Zealand. The Department of the Prime Minister and Cabinet was informed.

**Financial implications**

40. There are no financial implications arising directly from this paper. Work across the UGA pillars will be undertaken within departmental baselines.

41. Proposals identified through this work may have financial implications. Where appropriate, funding would be sought through Budgets 2019 and 2020 to give effect to policy decisions.

**Human rights and gender implications**

42. There are no human rights or gender issues or implications associated with this paper.
Disability perspective

43. The objectives of the UGA have the potential to help people with disabilities who are more likely to experience difficulty in accessing affordable and accessible housing, and employment, education and other services.

Legislative implications

44. There are no legislative implications arising from the proposals in this paper. Options that are identified through one or more of the workstreams described in this paper may require legislation to implement, and result in bids for the 2020 legislative programme.

Regulatory impact analysis

45. A regulatory impact statement is not required for the proposals in this paper.

Publicity

46. There is likely to be widespread stakeholder interest in this work, including from local government. Accordingly we intend to proactively release this Cabinet paper. We will engage with local government and other interested stakeholders on the UGA over the course of 2018.

Recommendations

The Minister of Housing and Urban Development and the Minister for the Environment recommends that the Committee:

1. note that one of the key shifts required to deliver our housing and urban development programme is to implement changes to policy, regulatory, investment, and institutional settings that support the delivery of our priorities.

2. note that the high cost and shortage of housing is partly due to deep seated problems with the operation of our urban land markets and how infrastructure is planned, funded, and financed.

3. note the Urban Growth Agenda will deliver medium to long-term changes to create the conditions for the market to respond to growth, bring down the high cost of urban land to improve housing affordability and support thriving communities.

4. agree the approach to delivering the Urban Growth Agenda comprising the following objectives and pillars addressing key system challenges and opportunities:

   Objectives

4.1. the main objective is to improve housing affordability, underpinned by affordable urban land; and

4.2. supported by wider objectives to:

   4.2.1. improve choices for the location and type of housing;
   4.2.2. improve access to employment, education and services;
   4.2.3. assist emission reductions and climate resilience; and
   4.2.4. enable quality built environments, while avoiding unnecessary urban sprawl.
**Pillars**

4.3. *infrastructure funding and financing* – enabling responsive infrastructure provision and appropriate cost allocation, including the use of project financing and access to financial capital;

4.4. *urban Planning* – allowing cities to make room for growth (both up and out) by addressing planning rules methods and practices that can restrict development, enable strategic integrated planning, and understand and measure the wider cost and benefits of growth;

4.5. *spatial planning* – building a stronger partnership with local government as a means to developing pro-growth and integrated spatial planning to achieve urban growth at pace and scale, with an initial focus in Auckland and the Waikato;

4.6. *transport pricing* – pricing transport infrastructure to efficiently manage demand across the network and promote access and efficient urban form; and

4.7. *legislative reform* – ensuring the Urban Growth Agenda pillars are mutually reinforcing and that the regulatory, institutional and funding settings are collectively supporting the UGA objectives.

5. **note** that the Urban Growth Agenda is designed to plan to accommodate and manage growth, but not to plan to drive growth in the population.

6. **note** the relationships between the UGA and the Government’s key strategic priorities in housing and urban development, economic and social development, and the environment.

7. **note** that Ministerial oversight of this work will be provided by the Minister of Housing and Urban Development, the Minister for the Environment, the Minister for Infrastructure, and the Associate Minister of Transport.

8. **direct** officials to report back to Cabinet before 30 June 2019 on options on system reform, including potential legislative changes, required to give effect to the UGA.

Authorised for lodgement

Hon Phil Twyford

*Minister of Housing and Urban Development*
## Appendix One: Urban Growth Agenda Work Programme: 2018-19

<table>
<thead>
<tr>
<th>UGA Pillars</th>
<th>Objectives</th>
<th>Key deliverables in next 6 months</th>
<th>2019</th>
<th>2020 +</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Infrastructure Funding and Financing</strong></td>
<td>To enable responsive infrastructure provision and appropriate cost allocation, the use of project financing and access to financial capital.</td>
<td>• Decisions about infrastructure funding and financing options to implement in the short, medium and long term (May)</td>
<td></td>
<td>Implementing new funding and financing tools</td>
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<tr>
<td><strong>Urban Planning</strong></td>
<td>To allow cities to make room for growth by addressing planning rules, methods and practices that can restrict development in order to significantly increase development opportunities, support quality built environments, and enable strategic integrated planning.</td>
<td>• Approach and options for progressing work, including national direction options (May)</td>
<td>• Progress report on options to assess wider costs and benefits of urban growth and infrastructure (June)</td>
<td>Implementing integrated strategic planning</td>
</tr>
<tr>
<td><strong>Spatial Planning</strong> (initially focused on Auckland and Waikato)</td>
<td>To build a stronger partnership with local government as a means to developing pro-growth and integrated spatial planning to achieve urban growth at pace and scale.</td>
<td>• Finalise the current Auckland Development Strategy (June)</td>
<td>• Agreement Auckland Development Implementation Programme (June)</td>
<td>Implementing new planning methods and practice</td>
</tr>
<tr>
<td><strong>Transport Pricing</strong></td>
<td>Efficient pricing of transport infrastructure to manage demand across the network and promote access and efficient urban form.</td>
<td>• Advice on a shortlist of congestion pricing options from the Auckland Smarter Transport Pricing project (August)</td>
<td>• Advice on scope of long term future of the land transport system (by July)</td>
<td>Progress any Ministerial decisions on the Auckland Smarter Transport Pricing Project and future of the transport revenue system</td>
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<tr>
<td><strong>Legislative Reform</strong></td>
<td>To ensure UGA pillars are mutually reinforcing and that regulatory, institutional and funding settings under the RMA, LGA and LTMA collectively support the UGA objectives.</td>
<td>• Progress reports to Ministers (June)</td>
<td>• Progress report (October)</td>
<td>Progress legislative changes in line with Ministerial decisions*</td>
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### Key Inputs:
- NPS-UDC Housing and Business Development Capacity Amnesties and high growth councils’ Future Development Strategies (Dec 2018)
- Council’s draft 2018-2028 Long Term Plans
- National Planning Standards notified for consultation (April/May)
- Government Policy Statement on Land Transport 2018
- Local government funding inquiry (TRC)
- Advice on options for greenhouse gas emissions reductions
- Climate Change Adaptation Technical Working Group Report
- Three Waters Review

*This will reflect, where appropriate, advice from across several related work areas such as urban, RMA, local government, climate change, and water.*