



# Ministry of Housing and Urban Development's Discussion Document

Local Government New Zealand's submission on the Ministry of Housing and Urban Development's Discussion Document outlining the Government's proposal for the future of housing and urban development in Aotearoa New Zealand.

July 2021

## We are. LGNZ.

LGNZ is the national organisation of local authorities in New Zealand and all 78 councils are members. We represent the national interests of councils and promote the good governance of councils and communities. LGNZ provides advocacy and policy services, business support, advice and training to our members to assist them to build successful communities. Our purpose is to deliver our Vision: “Local democracy powering community and national success.”

## Introduction

Local Government New Zealand (LGNZ) thanks the Ministry of Housing and Urban Development (the Ministry) for the opportunity to submit on its 2021 *Discussion Paper: Government Policy Statement on Housing and Urban Development* (the Discussion Paper).

As New Zealand's local government peak body, we have prepared high-level sector input for the Ministry's consideration. We agree with the Ministry that New Zealand's housing crisis is growing at pace and scale, and it is outstripping other developed nations. It is impacting our overall productivity and quality of life, and it is disproportionately and significantly affecting increasing segments of our society that are being systemically disadvantaged by extractive rather than inclusive political and economic institutions.<sup>1,2</sup>

We also agree with the Ministry that a key factor of the housing crisis and associated economic and social costs has been the lack of sound government stewardship to support housing supply and ensure institutional structures and system settings that underpin our housing and urban development system support housing affordability.<sup>3</sup>

LGNZ submits that there is a causal link between the Government's past and present policies and present-day outcomes. The outcomes of the housing and urban development system are very poor and require the Government to enhance its role in the direct supply of affordable housing. Additionally, it needs to improve its work as a system steward to create time-consistent institutions and frameworks for responsive infrastructure provision. We contend that failing to do so will mean that the Ministry's most important outcome – an adaptive and responsive system – is not realisable.

LGNZ welcomes that the Discussion Paper signals reform of the institutional settings that constrain development, including adverse settings that hamper local government's ability to

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<sup>1</sup> In response to the Ministry's own use of the term “inclusive economy”, we have borrowed the term “inclusive institution” from Acemoglu and Robinson (2019) *Why Nations Fail: The Origins of Power, Prosperity and Poverty* to refer to inclusive economic and political institutions that restrain ability to extract resources from certain segments of society and/or future generations. Inclusive institutions broadly support opportunity to participate in the economy and entry into markets (for example, ability to locate to access labour markets and ability to access the economic and wider benefits of homeownership).

<sup>2</sup> LGNZ understands that, according to the Government's own narrative, the emergence of land and housing markets that do not function well (i.e. not competitive, not well-planned and not well-regulated) are a manifestation of poor system stewardship by previous governments. From an outcomes perspective, our supply constrained urban environments are extractive for segments of society and younger/future generations. This has been identified by the Government as a systemic failure of our institutional settings, which, alongside poor outcomes across a range of domains (economic, social and environmental), underpins the Government's rationale for comprehensive RM reform.

<sup>3</sup> Improved affordability in the aggregate means more housing consumption (i.e. quality and size of housing) for the same price or equal levels of housing consumption for a lower price.

support urban development. We strongly support the Ministry's signal that the Government will be more proactive in supporting the system going forward.

LGNZ challenges the Government to actively and directly fund planning activities and infrastructure provision at a national scale. We have previously advocated for strategic planning activities that will be enabled by the Strategic Planning Act (SPA) through Resource Management (RM) reform. We argue that central government playing a greater role as a direct funder is not a radical proposition. We agree with the Ministry that a continuation of the status quo, where central government plays a diminished role, would be a much more radical direction to take given the consensus on the link between the government's absence in system stewardship (and funding support) to date and present-day outcomes.

At a high level, we support the overall direction found in the Discussion Paper and the focus areas and proposed actions to be included in the GPS-HUD. We acknowledge and endorse the Ministry's desire to take on a leadership role by using the GPS-HUD to coordinate government and wider actors. At the same time, LGNZ submits that the proposals remain too high-level to provide the certainty required for it to lead the way. We encourage the Ministry to take advantage of LGNZ and the wider local government sector's feedback to develop the final GPS-HUD.

Conceptually, the current GPS-HUD is sufficiently high-level to be agreeable but does not provide the needed specificity for all of the Government and wider actors to negotiate objectives and priorities, integrate policy interventions into a coherent whole, and make investment decisions. LGNZ submits there is risk that, if the aspirational vision cannot drop down to a more concrete level, this could effectively leave policy and decision makers without system guidance and potentially undermine the outcomes the GPS-HUD proposes to achieve.

We consider there is additional risk that, even with sufficient conceptual clarity and specificity in system direction, there will be disconnect between the GPS-HUD and what happens on the ground. This has been very evident with other government policy statements, such as the GPS for Land Transport. The task assigned to the GPS-HUD will be even harder without a direct funding lever. Therefore, it is incumbent on the Ministry to ensure that the direction provided on focus areas and proposed actions is sufficiently clear. The Ministry must put an analytical stake in the ground to have any impact, and accept that it cannot achieve coordination through ambiguity.

Our submission is broken into a brief comment on proposed outcomes followed by comments on key themes. We recommend that the Ministry take our views in concert with our other submissions, and specific councils' and council groups' comments. This will ensure our high-level input reflects their comments on how the proposed approach affects their particular localities and areas of oversight. We also request that the Ministry consider our comments alongside those with more technical expertise. Where we are silent on a question, this should be taken as deferral to those with more insight, rather than acquiescence.

## **General comment on the proposed outcomes**

LGNZ supports the outcomes the Ministry has outlined, covering: thriving communities;

wellbeing through housing; partnering for Māori housing and urban solutions; and an adaptive and responsive system.

LGNZ submits that an adaptive and responsive system should be framed as the most important outcome from a system perspective. This is because it is a necessary condition to realise all other outcomes and it is relevant to all places no matter where they are situated on the rural-urban spectrum.

There is need to clarify and define the term “thriving communities” and how these are to be realised to guide policy and decision-making, and coordinate activities. In principle, we support the high-level and aspirational notion that everyone should be able to live in a home and community that meets their full range of needs, and that the place people are situated in would ideally be characterised by positive outcomes across a full array of dimensions.

At the same time, the concept is so broad to subsume within itself near to every domain of both central and local government. It also leaves a lot open for interpretation. There is risk that any possible policy and investment decision could be justified by recourse to this concept and so come into tension with key objectives of the housing and urban system, which remain unclear in the Discussion Paper.<sup>4</sup>

While not limited to a single purpose, we contends that a key precondition for urban environments to exist and thrive are functioning labour markets and that the continued expansion of these labour markets underpins urban growth.<sup>5</sup> We also observe that the benefits New Zealanders receive from living in our cities has become comparatively poor compared to our Australian and international counterparts, leaving New Zealanders on the whole worse off and in some places with less disposable income year on year.<sup>6</sup> The trend should go in the opposite direction if key urban objectives are served as it would lift productivity, improve access to social and cultural actives and enhance overall quality of life.<sup>7</sup>

The GPS-HUD outcomes place little emphasis on the interrelationship between urban environments and labour markets. This interrelationship includes how key urban objectives, such as faster and cheaper transport (mobility) and the ability to locate and access real estate (housing affordability), are critical to improving productivity and providing an ongoing reason for people to agglomerate in urban areas. The Ministry should amend this to ensure the GPS-HUD is more comprehensive.

Finally, the way in which thriving communities is defined may be too broad an outcome for the housing and urban system to be responsible for, or aspire to. We note that thriving communities (or community wellbeing, more broadly conceived) is the statutory purpose of local government, which is an institution and system of much broader scope and that is intimately linked to place-making and outcomes of places. The Ministry’s discussion of thriving communities also places strong emphasis on place-making, which is the prerogative of local governments and local democratic processes. Since place-making is at the heart of our sector’s

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<sup>4</sup> For the purpose of this submission, we define “objective” as an intended result that subserves the purpose of a given domain.

<sup>5</sup> Alain Bertaud (2018), *Order without Design*, p. 19.

<sup>6</sup> PWC/Cities Institute, (2019), *Competitive Cities: A Decade of Shifting Fortunes Technical Report*. Accessed 07 July 2021, <https://www.pwc.co.nz/publications/2019/citiesinstitute/cities-urban-competitiveness-exec-summary.pdf>.

<sup>7</sup> See footnote 5, p. 27.

purpose, we discuss this matter further below.

## Specific comments on key themes

Our submission on the Discussion Paper focusses on the following key themes:

1. The need for clear objectives and priorities, and a framework to align policies and make trade-offs.
2. The ability of the GPS-HUD to align reforms and coordinate government work programmes through the GPS-HUD in light of the implementation approach signalled, as well as a clear path forward for partnering with iwi/hapū.
3. The ability of the GPS-HUD to meaningfully lead any review and re-alignment of New Zealand's system of local democracy.
4. The system strategy of the GPS-HUD will need to spell out the relationship the government's place-based approach has to place-making and community empowerment.
5. The GPS-HUD must enable the Ministry to perform a leadership role and provide more conceptual clarity so a system strategy emerges that integrates market mechanisms.

### 1. The need for clear objectives and priorities, and a framework to align policies and make trade-offs

The Ministry points to a comprehensive list of outcomes and broader objectives. We commend the Ministry's recognition that the government is working towards a range of outcomes, including outcomes that do not squarely fall within the housing domain (e.g. child and youth outcomes and emission reduction outcomes, among others).

We agree that:

*Housing and urban development has a critical effect on a number of other priorities and outcomes Government is seeking to improve for all of Aotearoa New Zealand.*

The Ministry correctly identifies that there are several objectives and priorities at play, either direct or indirect ones, that need to be considered by any system strategy related to the housing and urban development system.

LGNZ submits that there are three types of outcomes to consider in the GPS-HUD:

- Housing and urban domain outcomes best achieved by the private sector (housing market) and through the urban development system. For example, more concentrated labour markets, competitive cities, more choice, and better quality homes at a lower price in the aggregate.
- Housing and urban domain outcomes best achieved by interventions outside of the private sector (housing market) and partially through the overall urban development system. For example, adequate housing for households with low incomes through



income transfers, services and public provision.

- Non-housing and non-urban domain outcomes to be achieved at least partially by the private sector (housing market) and/or by the public sector (provision by central or local government or community housing sectors) through the urban development system. For example, assistance with emission reductions, building climate change resilience and wider child and youth outcomes towards which the housing and urban development system can contribute.

The success of the GPS-HUD will depend on the degree to which it can provide a clear set of objectives, negotiate any tensions between them and signal what has priority. The GPS-HUD also needs to provide a framework for actors in the system to make relevant trade-offs.

On 1 July, LGNZ participated in the Ministry's engagement session on The Economics of Housing and Urban Development where we raised the need for Government to provide clear direction on objectives, priorities and how to make trade-offs. We note that the Ministry's response was to reject the existence of trade-offs and delegate responsibility to local decision makers and other actors in the system on the basis that priorities are a local affair. LGNZ raises the concern that this approach will continue to leave the wider system without leadership and would amount to central government abdicating its stewardship obligations, effectively baking in the systemic flaws of the current system. We note that system-wide priorities and hierarchy of objectives does not prevent considering local factors in decision-making when decisions are made.

A recent study titled *A Scotland of Better Places* is directly relevant. This focused on how Scotland can "build forward better", and what actions are needed for places to deliver better and faster social, environmental and economic benefits. The study warned of "wider visions" with "less clarity"<sup>8</sup>:

Public policy decisions about place policies and effects are now more difficult and have to address new trade-offs. Understanding Scottish Government objectives, other than the measured explicit goal of net zero by 2035 (no measured and time bound productivity or poverty reduction targets), has been hampered by a multiplicity of policy rhetoric on inclusion, wellbeing, community wealth, productivity and sustainability. These all embed widely accepted policy *aspirations* and directions of travel but seldom indicate clarity of targets and trade-offs between key goals. Lack of clarity at Holyrood means few clear steers to those who manage cities, towns and rural areas.<sup>9</sup>

The above quote illustrates that trade-offs in relation to place-making exist and that local decisions look to be informed by direction and have direct effects outcomes. Resources allocation must accord with priorities given they are finite. Policy-makers, decision-makers and actors in the system are looking to government for leadership and we call on the Ministry to

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<sup>8</sup> In its feedback to LGNZ's draft submission, Napier City Council similarly pointed out that "[The] GPS[-HUD] is so opaque that anything we currently do will comply with it, so it creates no mandate for realignment. As previously noted, the timing of the release of this discussion is at best parallel, and at worst behind, the signals that have already been released in relation to the realignment of the local democratic system and the framework in which it operates."

<sup>9</sup> Duncan MacLennan (June, 2021), *A Scotland of Better Places*, The David Hume Institute, p. 18. Accessed 07 July 2021, <https://www.davidhumeinstitute.com/research-1/2021/5/25/a-scotland-of-better-places>.

take this seriously.<sup>10</sup>

We observe that the Discussion Paper lists a host of key housing and urban outcomes – as well as wider objectives – in relation to joint strategic planning. It also notes that joint strategic planning will need to prioritise these outcomes (see page 43 on proposed actions). However, it is unclear how the Ministry will do this without a clear position on priorities and a framework to make trade-offs.

LGNZ submits that a framework to make trade-offs cannot begin and end with striving to achieve “co-benefits”. Achieving co-benefits is a commendable undertaking; however, benefits rhetoric should not mask the existence of costs and the reality that different benefits can be achieved to a different degree, and that achieving them requires a different amount of resources. Consequently, any framework to make trade-offs must inevitably acknowledge, and systematically deal with, the assignment of both benefits and costs, which relies on prioritisation in decision-making. This is also key for the GPS-HUD to guide investment decisions and facilitate “better strategic investment”.

On this, we point to the Ministry’s recently released report that aims to provide a methodology for strategic assessment of the wider costs and benefits of urban development, and which proposes a multi-criteria approach to analysis that depends on weighting priorities to determine the impact of investment.<sup>11</sup> This work shows the Ministry acknowledges that costs exist and that prioritisation informs option assessments and decision-making in urban development. If the GPS-HUD intends to take up a leadership role, it is incumbent on the Ministry to communicate clear objectives and priorities, and outline a pathway forward that can negotiate a way through them.

We refer the Ministry to our submission on the Ministry of Transport’s Transport Emissions Discussion Paper as an example of how tensions between objectives can exist.<sup>12</sup> The submission also conceives a policy approach (a pathway forward) that looks to meaningfully realise co-benefits while efficiently negotiating the resources and costs involved in working to realise multiple objectives. LGNZ is looking to the Ministry to provide this kind of leadership and for future direction that is sufficiently nuanced, coherent across policy interventions and economically informed with a cross-system perspective.

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<sup>10</sup> Another concrete New Zealand example is found in Napier. In its feedback to LGNZ’s draft submission, Napier City Council commented: “[It has] struggled to deliver a coordinated place-based approach to one of our most deprived areas (Maraenui) where there are a number of vacant Kāinga Ora properties and a need for community facilities with better urban outcomes. For many years now we have been trying to get traction and funding for an implementation of a Masterplan (Te Pihinga) that included housing development, a community centre, road realignment and reserve spaces. The intentions of this work in theory would have met all the ambitions of the GPS- HUD, but it has still not materialised because funding avenues were unclear (it didn’t receive PGF funding for example) and central government versus local government interests while completely overlapping without identifiable “gateway’s” to achieve approval to proceed relying instead on relationships. With constant personnel changes in Kāinga Ora and HUD and a fluid mana whenua governance situation this project is still awaiting the green light after 7 years.”

<sup>11</sup> PWC (October, 2020), *A Methodology for Strategic Assessment of the Wider Costs and Benefits of Urban Growth*, The Ministry of Housing and Urban Development, pp. 8-10. Accessed 07 July 2021, <https://www.hud.govt.nz/assets/Urban-Development/Urban-Growth-Agenda/Methodology-report-A-methodology-for-strategic-assessment-of-the-wider-costs-and-benefits-of-urban-growth.pdf>.

<sup>12</sup> Ministry of Transport (May, 2021), *Transport Emissions: Pathways to Net Zero by 2050*, Green Paper. Accessed 07 July 2021, <https://www.transport.govt.nz/assets/Uploads/Discussion/Transport-EmissionsHikinateKohuparaDiscussionDoc.pdf>.

## 2. Aligning reforms and coordinating government work programmes through the GPS-HUD, as well as a clear path forward for partnering with iwi/hapū

We understand the Ministry considers a collaborative approach to be necessary to realise better housing and urban outcomes. The Ministry conceives the GPS-HUD as a coordinating mechanism to align government policy and activity that affects housing and urban development, and to incite collective action across government as well as with others outside of government. LGNZ welcomes the initiative to coordinate at a time when there is broad recognition that the objectives and policies across government do not align.

We refer the Ministry to our submissions on the Infrastructure Commission's Strategy Consultation,<sup>13</sup> and the Ministry of Transport's Emission Discussion Paper,<sup>14</sup> for more in-depth treatment of government's lack of alignment across objectives and policy work programmes, alongside a clear example.

While we commend the Ministry's leadership aspirations, LGNZ notes this will be challenging in an environment where policy work across major cross-system reform efforts has already sufficiently advanced in silos and far enough to support key decisions in advance of the GPS-HUD being publicised. These decisions will significantly affect the housing and urban system going forward and it is unclear how some of the signalled change aligns with the vision outlined in the Ministry's Discussion Paper.

We also note that the Discussion Paper identifies key reform programmes (e.g. Three Waters and RM reform) as its implementation plans, but in reality the GPS-HUD will have to negotiate some form of post-hoc alignment with other reform programmes that will significantly shape the landscape of the future housing and urban development system.<sup>15</sup> This means that the vision of the GPS-HUD will have to grapple with the enduring impacts of these reforms going forward.<sup>16</sup>

LGNZ applauds the cross-cultural efforts contained in the GPS-HUD that point to future housing policy based in partnership with iwi/hapū and on the principles of Te Tiriti o Waitangi. Importantly, many councils have constructive arrangements in place with iwi across the

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<sup>13</sup> LGNZ (May, 2021), *New Zealand Infrastructure Commission's Strategy Consultation: Local Government New Zealand's submission on the Infrastructure Commission's Consultation Document setting out a proposed direction for a Infrastructure Strategy to Government*. Accessed 07 July 2021, <https://www.lgnz.co.nz/assets/Uploads/LGNZ-Submission-on-Infracoms-Strategy-Discussion-Documents-2-07-2021.pdf>. See also New Zealand Infrastructure Commission (May, 2021) *Infrastructure for a Better Future: Aotearoa New Zealand Infrastructure Strategy Consultation Document*, <https://infracom.govt.nz/assets/Uploads/Infrastructure-Strategy-Consultation-Documents-June-2021.pdf>.

<sup>14</sup> LGNZ (June, 2021), *Ministry of Transport's Transport Emissions Discussion Paper: Local Government New Zealand's submission on the Ministry of Transport's Discussion Paper identifying what Aotearoa could do to shift our transport system on to a zero emissions pathway*. Accessed 07 July 2021, <https://www.lgnz.co.nz/assets/Uploads/LGNZ-submission-on-MoTs-Transport-Emissions-Reduction-Discussion-Paper-25-06-2021.pdf>. Footnote 10 above refers to the Ministry of Transport's *Emissions Discussion Paper*.

<sup>15</sup> Hamilton City Council's submission echoes our views, in which they note: "The intended reforms to the resource management, Three Waters and local government system are timely. However, it is critical that they are integrated and complementary, especially with regards to the detail affecting local government planning, funding, and delivery processes. Urban development and the delivery of housing will be pointless if the infrastructure and resources required to service housing are not available."

<sup>16</sup> LGNZ agrees with Hamilton City Council that for the GPS-HUD to be effective in delivering positive outcomes, it is critically important that it aligns with other Government reform programmes, which includes Resource Management Reform, the Future for Local Government review (which is in part determined by preceding decisions in Three Waters and RM reforms), the Three Waters Reform Programme and climate change policy. Hamilton City Council's comment on the Infrastructure Commission's Strategy, at 4.3-4.4 of its submission.



Aotearoa. For instance, Hamilton City Council (HCC) partners with the Crown and iwi through its Urban Growth Partnership. However, this Partnership lacks enduring alignment to funding ongoing initiatives to deliver housing. We endorse HCC's submission that elaborates how the GPS-HUD can consider including the role of City Deal/Partnership arrangements, which have proven to be very beneficial for high growth areas in other countries, as one way to improve on this lack of alignment.<sup>17</sup>

The Discussion Paper refers to the period in which iwi Māori as Te Tiriti o Waitangi partners shared insights into how the GPS-HUD would work in practice. We are encouraged by the pre-eminence Te Reo is given throughout the Discussion Paper, and the tone in which the Ministry discusses working in the spirit of partnership. To ensure that the expectations outlined throughout the Discussion Paper align with insights formed with iwi Māori, we recommend that the Ministry more clearly spell out the context and content of this background dialogue. Further, we recommend that it explain how discussions between Te Tiriti o Waitangi partners informed the expectations contained in the Discussion Paper. By being more comprehensive and transparent, the Ministry will add more substance to the spirit of partnership that appears on the face of the Discussion Paper.

In addition, by giving more weight to the inputs provided through partnership, the Ministry will also reinforce its commitment to taking a more equitable approach to developing housing policy, as canvassed at p. 63 of the Discussion Paper. We anticipate that this will address some of the grievances in relation to housing issues brought on behalf of whānau, hapū and iwi from across the nation as raised in the Waitangi Tribunal Housing Policy and Services Kaupapa Inquiry (the Inquiry).<sup>18</sup> Finally, to reflect the emphasis necessarily given to partnership throughout the Discussion Paper, we recommend that the Ministry acknowledge and address the Inquiry at the beginning of the Discussion Paper. This will give context to the expectations, and how they will address inequities throughout the document. We also refer the Ministry to our comments in relation to the Climate Change Commission's Draft Advice to Government, which may help inform how it can genuinely partner with iwi/hapū in realising the expectations contained in Discussion Paper.<sup>19</sup>

### 3. Review and alignment of New Zealand's system of local democracy

LGNZ considers an adaptive and responsive system the key outcome for the housing and urban development system, and we agree with the Ministry that current institutional settings create barriers to this outcome. Specifically, central government has wrapped councils in a funding and finance framework with adverse institutional settings. In particular, the arrangements for infrastructure investment have left councils the principal bearers of general residual risk. Consequently, councils have had to manage this risk, resulting in a more considered but less responsive planning system.

We welcome the Ministry's signal to review local government institutional settings, specifically

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<sup>17</sup> Hamilton City Council, Submission on GPS-HUD at 3.2.

<sup>18</sup> Waitangi Tribunal, Housing Policy and Services Inquiry, <https://waitangitribunal.govt.nz/inquiries/kaupapa-inquiries/housing-policy-and-services-inquiry/>.

<sup>19</sup> LGNZ (March, 2020) *Climate Change Commission Draft Advice: Local Government New Zealand's submission on the Climate Change Commission's Draft Advice to Government*, p. 5. Accessed 07 July 2021, <https://www.lgnz.co.nz/assets/Uploads/FINAL-LGNZ-submission-on-Climate-Change-Commissions-Draft-Advice-to-Government-29-03-2021.pdf>.

in relation to infrastructure funding and financing arrangements. We refer the Ministry to LGNZ's submission on the Infrastructure Commission's Strategy Consultation, which offers a more in-depth discussion on necessary preconditions for creating an adaptive and responsive planning system, covering:

- The need to establish time-consistent institutions to enable new funding and financing tools to overcome the hard-budget constraints of our current public finance system.
- Options for inquiry into alternative infrastructure funding and financing tools.
- The need to outline a pathway towards infrastructure provision of both "lead" and "follower" infrastructure to reduce future costs of infrastructure investment, change dynamism in land markets and enable implementation of national direction on urban development (i.e. the NPS-UD) – in particular the intensification and responsiveness policies.<sup>20</sup>

LGNZ notes the Ministry's intent to ensure that system reforms align to deliver the strategic housing and urban outcomes important to community wellbeing, which includes the Review into the Future for Local Government (the Review). However, as discussed above, this will be impossible to achieve because Government is already progressing major reform programmes in Three Waters service delivery (drinking, waste and storm water) and RM that propose to significantly reshape the landscape of New Zealand's institutional settings and structures for provision of infrastructure and place-making.

Since the Review will deliver a proposed direction of inquiry in September 2021, any advice following this initial direction of travel is likely to come too late to influence current reforms. The Infrastructure Commission has consequently, and correctly, acknowledged that the Review can only consider the role and function of local government retroactively, following the outcome of the reforms already underway – and these will arguably be more impactful on local government than the Review itself. This has also been acknowledged by a number of councils in their own submissions to the Infrastructure Commission.

#### 4. The system strategy of the GPS-HUD needs to spell out the relationship the government's place-based approach has to place-making and a pathway to community empowerment

LGNZ agrees that locality is important and that diverse approaches tailored to the prevailing conditions of different places are needed to make headway – this principle underpins the allocative efficiency specialisation and advantage of local government. This means steering clear from a one-size-fits-all approach. We broadly agree with the Ministry that there is a need for place-based approaches alongside sound system settings at a national level, and that examining how these general settings and strategies play out in different places can be a

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<sup>20</sup> LGNZ agrees with Hamilton City Council (HCC) that a pathway towards infrastructure provision for "lead" infrastructure, specifically, requires central government to responsibly fund infrastructure relevant to national-level interests, for example city-shaping enabling infrastructure. We discuss this further in our submission on the Infrastructure Commission's Discussion Document. We also agree with HCC that new, enduring and coordinated funding mechanisms are needed to support the outcomes sought by the GPS-HUD and the proposed regional spatial strategies. See Hamilton City Council's own comment on the GPS-HUD *Discussion Document*, at the executive summary and 3.2 of its submission.

supportive mechanism of an adaptive and responsive system.<sup>21</sup>

At the same time, the Ministry has signalled that a key outcome – thriving communities – is not sufficiently served by place-based approaches to development, but requires attention to place-making itself at a local level. To date, place-making has been the domain of local government through key decision-making roles in relation to infrastructure, planning, consenting and the overall design of places, legitimised through local democratic processes.

The Ministry is calling for a review and alignment of institutional settings, including the settings of local government, to enable the housing and urban development system to realise a wide range of outcomes, including community empowerment. However, the Ministry’s proposal of elements to be included in the GPS-HUD is silent on the necessary conditions of community empowerment and the relationship mobilised communities and local democracy have to effective place making.

At the same time, we observe that the Three Waters and RM reforms signal a diminished role for local government in investment decisions at a local level and key functions related to place making – thereby creating a greater distance between institutions and the communities they serve. It is unclear what exactly the Ministry’s vision of community empowerment is, how it relates to the housing and urban development system, and how any such vision could be consistent with current reform.

LGNZ submits that community empowerment is inseparably linked to thriving communities, and that there are at least three core conditions for community empowerment, as identified by Ostrom:<sup>22</sup>

1. **Locality** – objectives, approach, decision-making and design of systems should be driven by mobilised local communities and tailored to their particular needs.
2. **Autonomy** – community power, participation and social capital can only emerge if people can reasonably expect that their plans and decisions will be valued and taken seriously.
3. **Diversity** – autonomous, context-driven communities experiment with different systems, which needs to be promoted, as they may reveal powerful new ways to flourish.

If the Ministry intends to empower communities, then it needs to outline the role of communities in relation to place-making, as well as local and central government’s place in promoting localism, safeguarding communities’ autonomy, and supporting a productive diversity of systems and institutions. Specifically, the Ministry will need to outline how the Government can act as a “facilitator state” that supports community outcomes by flexibly responding to the needs of communities and respecting them as the default source of legitimate power over place-making.

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<sup>21</sup> LGNZ agrees with Napier City Council’s feedback to LGNZ’s draft submission that, “it is clear that Kāinga Ora and HUD will exercise a much greater influence on terms of delivery of place making; how this extends to the private sector is not clear and neither are the rules of engagement with the local community given the lack of direction.”

<sup>22</sup> Simon Kaye (2020), *Think Big, Act Small: Elinor Ostrom’s Radical Vision of Community Empowerment*, pp. 15, 43. Accessed 7 July 2021, <https://www.newlocal.org.uk/publications/ostrom/>.

LGNZ submits that any consideration of institutional settings and structures, including the functions of local government related to place-making, needs to be guided by a framework to the allocation of roles and responsibilities for effective regulation and the provision of public services, and suitably enabled by funding mechanisms. This is also necessary to establish appropriate transparency and accountability mechanisms. If the Ministry intends to take on a leadership role in this respect, then it must provide timely first-principles advice to influence reforms. This advice should be grounded in a sound framework that balances allocative efficiency (benefits from responding effectively to local needs and preferences) with productive efficiency (benefits from most efficient use of resources).

In our view, any institutional reform, as a consequence of re-envisioning the planning system, must preserve local government's roles in regulation of land use and place-making to ensure the integrity of local voice and democracy is retained. This will also empower communities to shape their own destinies provided the balance between self-determination and national-level interests are net-beneficial and do not come at the cost of intergenerational wellbeing.

Maintaining the integrity of local government's key roles is necessary for the long-term viability of institutional arrangements. The reasons for this are that place-making serves the outcomes of communities. Another reason is that there will continue to be many cases where values-based decision-making is required in the absence of clear technical or scientific evidence, and democratic processes are best suited to deal with these. We would caution policymakers not to underestimate how many decisions rely on values-based decisions-making in an operational sense. This is because the issues are highly complex, or do not have the necessary evidential basis on which to form more black and white decisions, or both. As such, trying to eliminate or overly limit values-based decision-making is unlikely to resolve (or indeed speed up) problems in the planning system. Indeed, it may have the opposite effect. Finally, place-making at a local level can only be a sustainable component of any future planning system if it is transparent and accountable to those paying for any locally relevant planning activity and the services in those places. We observe that policymakers frequently focus exclusively on efficiency gains, but this narrow attention can be detrimental if the reforms required to achieve those efficiencies cannot achieve empowered communities and long-term stability of the system.

We refer the Ministry to our submission on the Infrastructure Commissions Strategy Consultation that outlines our views on merging regional and district plans into combined plans as a solution to identified issues with the current planning system and institutional settings. We also discuss the distinct roles that strategic planning and place making play in achieving positive outcomes through a re-envisioned planning system.

## 5. The GPS-HUD must enable the Ministry to perform a leadership role and provide more conceptual clarity so a system strategy emerges that integrates market mechanisms

The Ministry's approach is positively aspirational but not nuanced enough to provide an effective strategy. At a conceptual level, the current material is very high-level and does not drop into the umbrella terms used to clarify what the direction means to imply and how intends to direct. Specificity is key for all of government and wider actors to negotiate objectives and priorities, integrate policy interventions into a coherent whole, and make

investment decisions. LGNZ submits leadership and coordination by way of ambiguity has been the status quo approach, and we understand that RM reform aims to remedy this, in particular through better-formulated national direction in a new national planning framework. We encourage the Ministry to take this intent seriously and reflect it in the GPS-HUD.

There are two specific examples in the Discussion Paper where continued ambiguity will leave the housing and urban development system without leadership and guidance.

### Terminology

The first example is the Ministry's use of the term "appropriate areas" for development and "well-functioning urban environments". These are not only vague, but very contentious policy prescriptions proffered without definition or proposed frameworks to help policy and decision-makers negotiate tensions between objectives and integrate diverse policy options and interventions that serve different outcomes across sectors. We all want well-functioning urban environments, but to provide strategic leadership the Ministry needs to spell out what this means and how this is achieved.

LGNZ notes that the National Policy Statement on Urban Development (NPS-UD) and the Randerson report discuss well-functioning urban environments as well as the need for competitive, well-planned and well-regulated land and housing markets. The system is looking to the GPS-HUD to provide guidance on how to coordinate and make investment decisions on the basis of having a clear understanding of what all this means and how it relates to achieve intended outcomes. Specifically, how various characteristics (accessibility, affordability, environmental and climate change impact, etc.) of well-functioning urban environments are best brought together, prioritised and realised through effective and efficient combinations of policy interventions that are coherent and not working cross-purposes.

### Approaches to urban form

This leads to the second example, namely the concept of "good" or "efficient" urban form, specifically in relation to cross-government objectives of housing affordability and emission reductions. Efficient urban form is variously interpreted from radical urban containment (higher altitude urban form policy interventions) to smart street network design to enhance walkability and access to public transport that does not require restricting location and extent of development (lower altitude policies). Within the context of the GPS-HUD, LGNZ broadly supports emission reductions as long as it is consistent with an all of government strategy and key housing and urban domain outcomes, such as affordability and labour mobility. This reflects there being better mechanisms to drive emissions reduction than planning guidance (see below for more detail).

LGNZ encourages the Ministry to develop a nuanced position on urban form that effectively, efficiently and coherently integrates policies across the system, reduces overall costs imposed and delivers net-positive value to society. As stated above, we recommend that the Ministry refer to our comment on the Ministry of Transport's Transport Emissions Discussion Paper which elaborates how it can do so.<sup>23</sup>

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<sup>23</sup> See footnote 11 above, p. 7.

On carbon emissions, we are pleased to see that the Ministry acknowledges the importance of climate change in setting the GPS-HUD in line with New Zealand's domestic and international commitments. We commend the Ministry's ambition in addressing climate resilience alongside a variety of actions, many of which are difficult to achieve of themselves, let alone together. The Discussion Paper correctly identifies that the inputs and outcomes from several climate-related Government initiatives, for instance the Emissions Reduction Plan, National Adaptation Plan (NAP) and the Building for Climate Change programme will have direct bearing on the GPS-HUD, and vice versa.

With this said, there is room for improvement. We recommend that the Ministry also recognise the role for market-driven solutions in climate change action. As canvassed in LGNZ's submission on the Climate Change Commission's Draft Advice to Government, many of the climate policies enacted by the current Government rely on ongoing political support for these policies under future governments.<sup>24</sup> To ensure that climate resilience is baked into the GPS-HUD, we recommend that it expressly refer to the role that the New Zealand Emissions Trading Scheme (ETS) plays as an input to deliver strategic housing and urban outcomes while reducing carbon emissions. This will necessarily involve recognising the role that the Environmental Protection Authority will play as a lead agency in administering the ETS on pp. 68-69 of the Discussion Paper.

## Conclusion

The Ministry's vision is high-level, positively aspirational and comprehensive in scope. LGNZ recommends the Ministry support this vision with more depth in conceptual clarity, strategic discernment across domains, objectives and policy interventions to provide the intended leadership to all of government and the wider system.

The Government's vision cannot begin and end with striving towards co-benefits. LGNZ submits that at the level of implementation at the latest, the need to make trade-offs and manage costs will become apparent, and, as the Infrastructure Commission has noted, "Implementation eats strategy for breakfast every day." We note that an aspirational vision of co-benefits without awareness of – or approach to managing – costs across the system is a quick meal that provides little sustenance at a more concrete and local level of implementation.

The rhetoric of benefits needs to be accompanied by a sound economic rationale on how to manage costs alongside supporting direction on prioritisation and/or frameworks to support decision-making and strategic investment. The GPS-HUD must put an analytical stake in the ground to achieve what it sets out to do, especially to initiate a process of realignment across the housing and urban system, where this is still possible given that large scale and cross-cutting reforms are already underway and partially locked in.

We welcome the signal of the Discussion Paper that central government intends to play a more active role in system stewardship, direct supply, and funding to enable an adaptive and responsive housing and urban development system. Specifically, we are looking to central government to take a much more active role in directly funding planning activities and

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<sup>24</sup> See footnote 18 above, p. 2.



infrastructure provision at scales of national relevance – for example strategic planning activities that will be enabled by the Strategic Planning Act (SPA) through RM reform.

LGNZ also welcomes a review of institutional settings that constrains the ability of councils to respond to community needs, such as investment growth infrastructure. At the same time, we do not support a diminished role for local government in place-making, which is a process appropriately legitimised through local democratic processes. Local democracy empowers communities to determine their own destiny and it enables them to hold institutions that serve their needs, values and aspirations to account.

We agree with the Ministry that place-making is a key mechanism to promote community wellbeing/thriving communities. LGNZ calls on the Ministry to substantively engage with the concept of thriving communities and its relationship to community empowerment, local democracy and place-making. The GPS-HUD needs to clarify its vision for roles and responsibilities relevant to realising this outcomes and the pathway for doing so. We note that the Discussion Paper signals intent to empower communities. We call on the Ministry to clarify what this means, especially in light of current reforms already underway that signal a future in which institutions will be more distanced from the communities they serve.

We hope that this response is useful in your deliberations. LGNZ staff are happy to continue to work with the Ministry in relation to the Discussion Paper. If you would like to engage further, please contact Benno Blaschke, Principal Policy Advisor at [benno.blaschke@lgnz.co.nz](mailto:benno.blaschke@lgnz.co.nz). If you want to engage us on governance arrangements, Māori partnerships and climate change matters specifically, please contact John Stewart, Senior Policy Advisor at [john.stewart@lgnz.co.nz](mailto:john.stewart@lgnz.co.nz).