

Property Council New Zealand

Submission on

Draft Auckland Council Future Development Strategy

31/07/2023

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Draft Auckland Council Future Development Strategy

1. Summary

- 1.1 Property Council New Zealand Auckland Committee (“Property Council”) welcomes the opportunity to provide feedback on Auckland Council’s draft Future Development Strategy. It is critical to have a robust vision for the future of Auckland, that addresses our cities current challenges around housing supply and affordability while also giving the property sector the confidence to make long-term investment decisions.
- 1.2 Property Council supports a balanced approach to enabling Auckland’s future urban growth. While Property Council welcomes aspects of the Future Development Strategy, such as Auckland Council’s intent to support greater urban intensification, we are deeply concerned about many other parts of the draft Future Development Strategy, which seeks to reverse Auckland Unitary Plan decision-making through the proposed restrictions and delays to new greenfield development. This erodes confidence in Council’s ability to plan long-term.
- 1.3 Property Council also has broad procedural concerns about the manner in which the Future Development Strategy was developed. We have been disappointed with the quality of consultation and engagement to date. We are further concerned about the draft Future Development Strategies alignment with central government’s National Policy Statement on Urban Development (“NPS-UD”) as it fails to provide sufficient development capacity due to the flawed methodology in trying to capture this information.
- 1.4 In our view, there is a clear need to revise the draft Future Development Strategy. We strongly recommend that Auckland Council pause passage of the Future Development Strategy, in order to re-engage with the property sector and develop a revised Future Development Strategy that better meets Auckland’s future needs.
- 1.5 This document provides Property Councils feedback on Auckland Council’s draft Future Development Strategy. Comments and recommendations are provided on issues relevant to Property Council’s members.

2. Recommendations

- 2.1 At a high level, we recommend that Auckland Council:
 - Pause the draft Future Development Strategy and instead develop a revised approach;
- 2.2 In broad terms, a revised Future Development Strategy should:
 - Include housing affordability as a policy objective;
 - Work with the property sector to establish improved and more accurate development capacity and geographic modelling;
 - Urgently reconsider their proposed approach to restricting or delaying greenfield development;

- At minimum continue the greenfield development strategy already established in the Auckland Unitary Plan;
- Reconsider the proposed use of infrastructure triggers and adopt a more flexible approach providing to infrastructure for greenfield developments;
- Use the Infrastructure Funding and Financing Act to fund and finance infrastructure to support new development.

3. Introduction

- 3.1. Property Council is the leading not-for-profit advocate for New Zealand’s most significant industry, property. Our organisational purpose is, “Together, shaping cities where communities thrive”.
- 3.2. The property sector shapes New Zealand’s social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.
- 3.3. Property is Auckland’s largest industry. Property provides a direct contribution to Auckland’s GDP of \$12 billion (12 percent) and employment for 71,940 Auckland residents.
- 3.4. Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 351 Auckland based member companies across the private, public and charitable sectors.

4. Procedural flaws with the draft Future Development Strategy

Alignment with NPS-UD

- 4.1. Auckland Council is legally required by the NPS-UD to develop a Future Development Strategy for Auckland. Section 3.13(1) of the NPS-UD states that:

“(1) The purpose of an FDS is:

 - a) to promote long-term strategic planning by setting out how a local authority intends to:
 - (i) achieve well-functioning urban environments in its existing and future urban areas; and
 - (ii) **provide at least sufficient development capacity**, as required by clauses 3.2 and 3.3, **over the next 30 years to meet expected demand**; and
 - b) assist the integration of planning decisions under the Act with infrastructure planning and funding decisions.”
- 4.2. Property Council is deeply concerned that the current approach taken by Auckland Council fails to meet the NPS-UD requirement to provide “sufficient development capacity”. For example, we are concerned that the development capacity modelling is not based on feasible developments. We are further concerned that the population growth projection of an additional 520,800 people over 30-years potentially undercooks likely population growth, given continued strong net annual migration of 72,300 in the April 2022 to April 2023 year¹. Pre Covid

¹[https://www.stats.govt.nz/information-releases/international-migration-april-2023/#:~:text=ended%20September%202022-,Annual%20migration,of%2019%2C300%20\(%2%B1%20100\).](https://www.stats.govt.nz/information-releases/international-migration-april-2023/#:~:text=ended%20September%202022-,Annual%20migration,of%2019%2C300%20(%2%B1%20100).)

Stats NZ figures suggest that 61 per cent of migrants choose to settle in Auckland². Assuming this trend continues post Covid, we could easily hit the Future Development Strategies 30-year population in just under 12 years.

Consultation and engagement

- 4.3. The NPS-UD sets out specific consultation and engagement requirements for Auckland Council to follow when developing the Future Development Strategy. Examples include the requirements under clause 3.15(1) of the NPS-UD, to “use the special consultative procedure in section 83 of the Local Government Act 2002” and the requirement under clause 3.15 (2)(f) to engage with “the development sector (to identify significant future development opportunities and infrastructure requirements)”.
- 4.4. Property Council has been deeply disappointed with the quality of consultation and engagement to date on the Future Development Strategy. We have previously expressed some of our concerns in a letter to Auckland Council’s Manager Growth & Spatial Strategy dated 29 March 2023 – see appendix one. Property Council did not receive a response to this letter.
- 4.5. As part of Auckland Council’s engagement with the development community, the draft Future Development Strategy reports two actions; a survey sent to property developers and a presentation of results to Property Council’s Auckland Committee members. We do not agree that a presentation of results should be deemed as viable consultation. Neither of these were satisfactory as the proposal saw deep methodology flaws, such as the “one click” technique which required developers to click on a map of Auckland where they were planning on developing. The one click method could be a development of one house or 1,000 houses – thus entering into guessing game territory. Furthermore, as expressed in our previous letter, we are concerned that the sample size and methodology of the developer survey are not representative of the property sector nor accurately reflect where future development will occur.
- 4.6. Property Council ran a survey of our Auckland membership and found that 93% of our Auckland based members, who have a current resource consent with Auckland Council (or have had one within the last 6 months) were not contacted to take part in the survey. Our own survey had a sample of 74 member responses. Of which 46 members were developing in the next 10 years, there were 9 projects worth \$9 million or less, 11 projects worth between \$10-49 million, 8 projects worth between \$50-99 million, 7 projects worth between \$100-499 million and 11 projects worth more than \$500 million.
- 4.7. These developments are across a wide range of typologies, namely Civic, Commercial, Education, Healthcare, Industrial, Residential (private), Residential (social) and Retail. As such, we strongly suggest that Auckland Council has not forecasted a significant amount of planned future development, especially in non-residential sectors.

Development Capacity Modelling

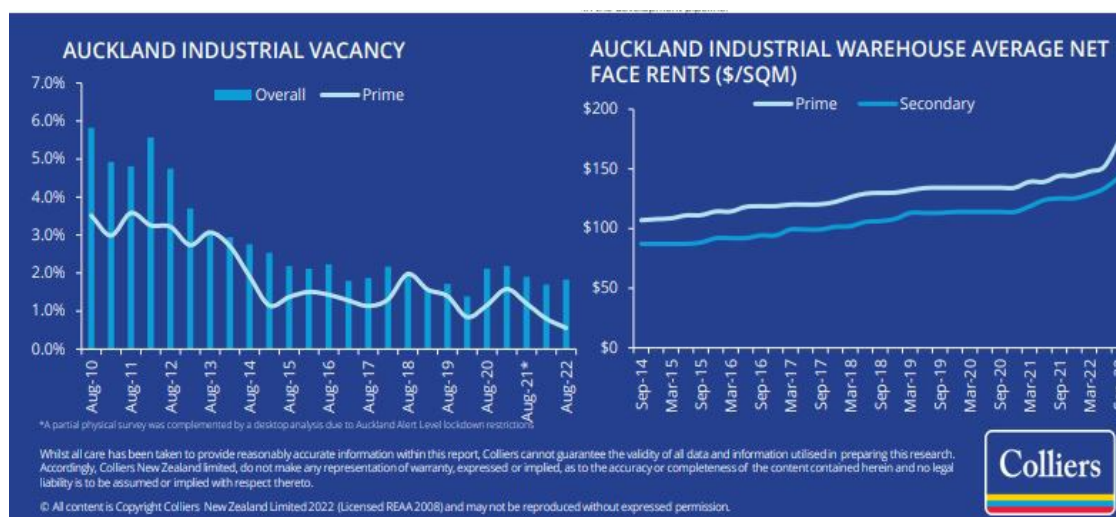
- 4.8. Property Council is concerned that the draft Future Development Strategy is premised on flawed development capacity modelling. As currently drafted, it states that there are 2,345,500

²<https://web.archive.org/web/20170906135112/http://www.stats.govt.nz/~media/Statistics/Browse%20for%20stats/IntTravelAndMigration/HOTPJun17/itm-jun17-tables.xls>

enabled residential dwellings in Auckland and concludes that Auckland has sufficient business and industrial land capacity. In our view, neither of these assumptions are correct.

- 4.9. Property Council foresees a number of issues with the residential development capacity modelling. To begin with, the 2,345,500 figure in the Future Development Strategy is not based on developments that are feasible or “ready to build”. Instead, the residential development capacity modelling is based on “plan enabled” capacity, which is reliant on Plan Change 78. Given that Plan Change 78 is currently non-operative and likely to be subject to significant upcoming revisions, we consider the current modelling to be inaccurate.
- 4.10. Furthermore, this reliance on plan enabled capacity as opposed to feasible capacity means that in practice, many of the 2,345,500 dwellings referred to in the Future Development Strategy are not economically viable to develop or may not yet have the supporting infrastructure to enable development. Additionally, many sites across Auckland will be on cross-lease, unit title, leasehold land or have other restrictive covenants that will further restrict a developer’s ability to intensify.
- 4.11. Property Council also disagrees with Auckland Council’s assumption in the Future Development Strategy that Auckland has “at least sufficient plan-enabled business capacity”. In fact, the supply of business and industrial land in Auckland is constrained. This can be seen reflected in the large scale price inflation in industrial rent prices in recent years, and the extremely low vacancy rates for industrial across the Auckland region. Data from Colliers New Zealand, shown in *Table 1* below, highlights that Auckland industrial vacancy rates are notably decreasing and thus with less supply, rents are increasing. Furthermore, Barfoot & Thompson’s August 2023 Commercial Insite publication³ states that “The real upward pressure on rentals has been within the industrial sector. New build industrial rentals are exceeding \$200/m² across the board and vacancy rates remain at all time lows. The simple reality is that Auckland does not have the necessary availability of industrial land. This is unlikely to change”.

Table 1: Colliers New Zealand data



- 4.12. Furthermore, Auckland Council’s modelling on plan-enabled business capacity is contingent on a high level of business intensification, that for many business activities may not be practical or

³ <https://view.publitas.com/barfoot-thompson/commercial-insite-august-2023/page/1>

economic. For example, the majority of industrial capacity is classified as second storey or above, highlighting a reliance on multi storey industrial developments with high site coverage. For many industrial land users, this may not be practical to do so. Accordingly, Property Council is deeply worried about the inaccuracy of the draft Future Development Strategy methodology that underpins the business and industrial land modelling.

- 4.13. It is difficult to successfully plan for urban growth over the next 30-years without accurate development capacity modelling. Accordingly, Property Council recommends that Auckland Council should work with the property sector to develop more accurate development capacity modelling for a re-written Future Development Strategy. We note that the property sector successfully collaborated with Auckland Council with development capacity modelling during the 2016 Unitary Plan process, which our members report worked well. Additional changes that negate the decisions made in the Unitary Plan process will increase uncertainty and stifle or halt development in Auckland.

Omission of Housing Affordability as an objective

- 4.14. Property Council is extremely worried that housing affordability is not a stated policy objective of the draft Future Development Strategy. Recent reports suggest that Auckland is the world's seventh most unaffordable housing market⁴, with house prices sitting at 10.8 times the median household income. Increasing the supply of both infill and greenfield development would help alleviate current housing pressures of Auckland residents.
- 4.15. In our view, not having housing affordability as a policy objective of the Future Development Strategy is a major strategic omission and does not align with the requirement of the NPS-UD to achieve a "well-functioning urban environment" and to provide "sufficient development capacity". It further contradicts Direction 3 of Auckland Council's Auckland Plan, which seeks to shift to a housing system that "ensures secure and affordable homes for all". The Auckland Plan states that "Auckland is experiencing a housing affordability crisis", with one of the key focus areas being to "accelerate quality development at scale that improves housing choices."⁵
- 4.16. In order to address our deep concern, we strongly recommend that a re-written Future Development Strategy should incorporate housing affordability as a key policy objective. We envisage that there will need to be revisions to the current approach to meeting urban growth, in order to achieve progress on housing affordability. Elements of our preferred approach are outlined in subsequent sections of this submission.

5. Approach to meeting urban growth

- 5.1. Property Council supports a balanced approach to enabling Auckland's future urban growth and we have long supported cities who look to grow both up and out to meet growth pressures. While Property Council welcomes the intent of Auckland Council to support greater intensification in Auckland, we are deeply worried about the impact of the proposed rollback and delay of greenfield development, as previously planned for in the Auckland Unitary Plan and we are also concerned about the introduction of new infrastructure triggers.

⁴<https://www.stuff.co.nz/life-style/homed/real-estate/131564094/new-report-ranks-auckland-seventh-least-affordable-housing-market>

⁵<https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-plans-strategies/auckland-plan/Pages/default.aspx>

Urban intensification

- 5.2. At a principled level, Property Council welcomes Auckland Council's intent to encourage greater urban intensification through the Future Development Strategy. Property Council supports high quality urban intensification, as our members know that it will help Auckland achieve outcomes that meet the city's housing, environmental, social and economic ambitions. However, encouraging urban intensification should not come at the expense of also enabling new greenfield development. Both are required to meet Auckland's current and future population growth as well as housing supply and affordability needs.
- 5.3. The draft Future Development Strategy references the need for Auckland Council to investigate additional actions to "further enable and incentivise dense, mixed-use development close to optimal centres and rapid transit". This is a proposal that Property Council supports in principle.
- 5.4. When encouraging urban intensification, it is important that Auckland Council develops a planning and regulatory framework that supports high quality urban design and ensures development feasibility. As discussed in Property Council's submissions on [Plan Change 78](#) and on [Plan Change 79](#), we are worried about Auckland Council implementing overly prescriptive planning regulations that we could see resulting in unintended design outcomes that lower the future quality of Auckland's built environment.
- 5.5. For example, the proposed new Terraced Housing and Apartment Building zone rules restrict height to a six stories maximum. This height limit could negatively impact development feasibility and along with other rules, will also have unintended consequences on urban design. As a result, Auckland's future skyline within this zone could be one dimensional, and without natural variance. It is important that the rules allow for variation, with greatest height in areas with the greatest accessibility. Greater heights should be encouraged along transport corridors and close to amenities such as Train Stations.
- 5.6. Another example is the negative impact that Plan Change 79 will have on both development yields and Auckland's natural environment. We opposed the majority of Plan Change 79 provisions, as in our view the proposals will result in loss of amenities through requiring more concrete for onsite loading zones, parking and accessways which will decrease site yields and result in 'wasted space' that could have been used to enhance amenity values such as installing gardens or greenery. There is a clear link between the Future Development Strategy and the aforementioned Plan Changes, as the future planning framework for Auckland will have a major impact on the patterns of development that Auckland experiences.

Greenfield development

- 5.7. Property Council is deeply concerned about the proposed approach to restricting or delaying greenfield development and introducing infrastructure triggers in the draft Future Development Strategy. In broad terms, we are worried that this will impact housing supply and affordability, as well as further tightening the supply of business and industrial land across Auckland. We have outlined our concerns relating to restricting or delaying greenfield development in more detail below.

Loss of Future Urban Land

- 5.8. Through the 2016 Auckland Unitary Plan process, Auckland Council had identified around 15,000 hectares of Future Urban Land across Auckland, where greenfield development would

be enabled. At the time, it was estimated that this land could accommodate approximately 137,000 homes and 67,000 jobs. As of March 2023, around 33 per cent of identified future urban land has now been live zoned. We understand that many of the remaining areas of identified future urban land has been purchased with an intent to develop in the future.

- 5.9. Auckland Council is now proposing in the draft Future Development Strategy to make significant changes to established areas of future urban land, that will roll-back already planned for developments. Auckland Council is seeking to remove four selected areas of future urban land (Hatfields Beach stage 2, parts of Kumeū-Huapai-Riverhead, Takaanini and parts of Drury-Ōpaheke), investigate the potential removal of additional areas of future urban land and to delay the live-zoning of significant amounts of the remaining areas of future urban land.
- 5.10. The loss of the aforementioned areas of Future Urban Land, along with the significant market uncertainty of the “under investigation” label, and the delay to live-zoning many of the remaining areas of Future Urban Land, will halt or delay a significant number of much needed new developments across Auckland. At a time when Auckland desperately needs to be increasing our housing supply, particularly of affordable housing, and streamlining development, the draft Future Development Strategy may take us backwards.

Natural hazards and climate change

- 5.11. Auckland Council argues in the draft Future Development Strategy that by restricting or delaying future urban land, that this will remove areas with natural hazard risk from development, reduce transport emissions, reduce infrastructure cost pressure on Council and support a more compact urban form. Property Council does not agree with this characterisation of greenfield development.
- 5.12. Property Council firmly believes that a more nuanced approach to greenfield development is needed. In our view, Auckland Council has not accounted for the potential for private infrastructure financing to reduce the cost pressure of new infrastructure, nor the ability for engineering, planning and infrastructure solutions to address many of the natural hazard risks that may be present on existing future urban land.
- 5.13. Well-planned greenfield development, can mitigate climate change and deliver appropriate housing typologies that may not be able to be delivered within the existing built environment. High quality greenfield developments can also help support Auckland’s climate adaptation, by redirecting water flow through infrastructure and incorporating best practice in terms of planning for communities with access to transport linkages and housing closer to future amenities and employment opportunities.
- 5.14. Property Council members that we surveyed were concerned about the impact that the Future Development Strategy could have on their developments. In a multi-choice question, only 16 per cent of member respondents would continue their developments as planned with the Future Development Strategy. Around 58 per cent of member respondents said that they would have to “re-evaluate the feasibility of development projects”. Our survey member respondents report that they would have to scale down some of their projects (18 per cent) or scale down all of their projects (9 per cent). Concerningly, 24 per cent of our member respondents report that they would have to halt some of their projects, with 2 per cent being forced to halt all of their projects.

Business land

- 5.15. The roll-back and delay to future urban land across Auckland will also have a harmful and negative effect on Auckland businesses. Planned developments that are at risk of being cancelled on existing future urban land are not only residential, but there is also a significant amount of business and industrial developments in the pipeline. These developments are critical for the economic future of Auckland and will serve as major employment hubs for Auckland residents.
- 5.16. Property Council does not agree with the modelling in the draft Future Development Strategy that seeks to portray a sufficient business and industrial land capacity. Without continued access to future urban land, we are at risk of losing planned commercial developments. This will not only reduce future employment opportunities for Auckland residents but will also further create incentives for business (especially more land intensive businesses) to leave the Auckland region for other urban centres with greater availability of developable business and industrial land.

Way forward for greenfield development

- 5.17. In order to address our concerns, Property Council recommends that Auckland Council urgently reconsider their proposed approach to restricting or delaying greenfield development. We recommend that a revised approach should at minimum continue the greenfield development strategy already established in the Auckland Unitary Plan and incorporate principles around housing affordability into the re-written Future Development Strategy. This should be done in collaboration with the development sector to ensure that a revised approach to greenfield development incorporates transport and infrastructure capacity, and the ability for alternative funding and financing to enable new housing supply.

Infrastructure triggers

- 5.18. Auckland Council is also proposing to introduce new infrastructure trigger requirements which will restrict the development of the remaining areas of future urban land. In practice, these infrastructure triggers will further delay live zoning of future urban land until Auckland Council determines that they are ready to put in place the required infrastructure to support the new development.
- 5.19. Property Council is concerned that the proposed approach to infrastructure triggers is overly blunt and will have the practical effect of further delaying significant amounts of new development by sequencing delays. It is vital that Auckland Council sequences the establishment of new infrastructure in a manner that gives confidence to the property sector to invest in Auckland.
- 5.20. We recommend that Auckland Council reconsiders the proposed use of infrastructure triggers and adopts a more flexible approach to infrastructure for greenfield developments in a re-written Future Development Strategy. In our view, a more flexible approach would entail working with the property sector as well as central government to identify opportunities for private provision of key infrastructure to support development where possible.
- 5.21. We are also worried that the draft Future Development Strategy is largely silent on how capacity upgrades and new infrastructure to support development will be funded and delivered. For

years, Property Council has encouraged local government to investigate alternative funding and financing mechanisms to help better balance council books.

- 5.22. Central Government has provided the Infrastructure Funding and Financing Act (“IFF”) to fund major infrastructure investments. Property Council supports, in principle, the Special Purpose Vehicle (“SPV”) funding model as set out in the IFF Act. SPVs makes the cost of new infrastructure more transparent, improve intergenerational equity by spreading the cost over a sustained time period and also unlock additional investment in much needed infrastructure. We recommend Auckland Council use the IFF to fund and finance infrastructure to support development in order to speed up new development, in a re-written Future Development Strategy.

6. Conclusion

- 6.1. Property Council welcomes the opportunity to submit on Auckland Council’s draft Future Development Strategy. In our view, there is a clear need to revise the draft Future Development Strategy. We strongly recommend that Auckland Council pause the Future Development Strategy, in order to re-engage with the property sector and develop a revised Future Development Strategy that meets Auckland’s future needs.
- 6.2. We believe a more balanced approach to meeting urban growth is needed. While we welcome aspects of the Future Development Strategy, such as Auckland Council’s support for encouraging greater urban intensification, we are deeply concerned about proposed restrictions, infrastructure triggers and delays to greenfield development. Property Council also has broad procedural concerns about the manner in which the Future Development Strategy was developed and believes that more accurate data collection is required.
- 6.3. Property Council members invest, own, and develop property in Auckland. We wish to thank Auckland Council for the opportunity to submit on the draft Future Development Strategy, as this gives our members a chance to have their say in the future of our city. Any further enquires do not hesitate to contact Logan Rainey, Advocacy Advisor, via email: Logan@propertynz.co.nz or cell: 021410787. We wish to be heard in support of our submission.

Yours Sincerely,



Martin Cooper
Auckland Committee Chair

Auckland Council
29 March 2023

Re. Future Development Strategy

Dear Auckland Council,

Thank you for attending Property Council's recent Auckland Regional Committee meeting and providing our Committee with an update on the Future Development Strategy workstream. We value our strong working relationship with Auckland Council and appreciate the proactive engagement on this topic.

We would like to highlight our concern regarding the validity of the recent developer survey results. As our verbal comments illustrated, we are concerned that the sample size and methodology of the developer survey are not representative of the property sector nor accurately reflect where future development will occur.

For example, the survey targeted developers who had multiple consents with Auckland Council. We believe this to be flawed. Many developers will establish special purpose vehicles for each development (under different company names) and thus would not have been contacted by the Council to complete the survey.

We are also concerned that the survey asked member to 'click' on a map, where they were planning to develop in the future. This is a concern given one click could represent one house or one click could represent a development of thousands of houses. There is no ability to distinguish between development scale using a one-click system. We believe that the one-click model is flawed, given the size and scale that development can be. Furthermore, it is important to differentiate not only by number of units, but also by value of units to ensure an effective and representative sample of developments across Auckland.

Property Council also notes that the survey asked respondents to place where are they are likely to develop, not where they would like to develop if conditions and zoning permitted. In all likelihood, this will have swayed results to particular parts of the city that currently permit development.

In our view, the survey results are unlikely to be applicable for determining future development patterns across Auckland. We would appreciate that this work programme be extended to a wider range of developers and incorporate individual verbal discussions to better understand the size, scale and location of future developments in Auckland.

Property Council remains interested in the Future Development Strategy workstream, given its long-term role in shaping policies that will influence Auckland's future built environment. We would like to remain involved in engagement on this topic moving forward and look forward to working with your team and the wider Auckland Council group on this matter.

For further information, please do not hesitate to contact Logan Rainey Advocacy Advisor, via email: Logan@propertynz.co.nz or cell: 021410787.

Yours sincerely,



Martin Cooper - Auckland Regional Chair