



BUILDING AOTEAROA NZ

TOP's Policy for Sustainable Housing
and Urban Development

March 2020

TOP.
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Executive Summary

Aotearoa New Zealand is facing both a housing crisis and a climate emergency. Confronting these two challenges will require nothing less than a fundamental re-engineering of our cities. We need them to be affordable, liveable, and energy efficient. That means building densely around public transport networks. Permitting sprawl may reduce house prices in the short term, but it is a false economy when it comes to transport costs and climate emissions.

The housing crisis has been intensifying for decades under governments of all shades. Both house prices and rental costs have been growing faster than incomes since 1990. According to Demographia, all our major housing markets are considered “severely unaffordable”, and we have the highest house prices in the world. High rents are the leading cause of poverty, and demand for social housing only continues to rise.

TOP’s Housing and Urban Development Policy aims to tackle these issues.

To create healthy, resilient housing and cities that all New Zealanders can enjoy, we must deal with issues on the side of both demand and supply. Housing in New Zealand benefits from the greatest tax advantage for any investment of any country in the OECD. No wonder Kiwis put more money in housing than any other country and we have the highest house prices!

DEMAND

In 2017, TOP released a swathe of policies to deal with the demand side issues, including:

- Tax Reform – removing the tax advantage for housing over other investments and putting more money in people’s pockets.
- Tenancy Reform – providing greater security of tenure to renters while we sort out the housing market.
- Smarter Immigration – ensuring infrastructure and housing match population growth.

We will put all these policies forward again in 2020, with some updates.

SUPPLY

We also need action on the supply side because the major political parties can’t be trusted to solve the problems we face. TOP proposes the following four changes.

A new Urban Development Act

The Resource Management Act has done a reasonable job of protecting the environment *outside* our cities. But within them it has prevented development, increased the cost of housing, and led to urban sprawl. This has ultimately damaged the environment, e.g. by chewing up fertile land and untouched ecosystems, and increasing emissions. We must separate urban planning and development from environmental management, as most European countries do.

TOP’s Urban Development Act (UDA) includes a national strategy and 30-year plan toward environmentally, socially, and economically sustainable towns and cities. It will:

- ensure local authorities approve enough housing to meet population growth.
- enable integrated planning, with denser development around new and existing public transport networks.
- preserve as much of our remaining fertile land and ecosystems as possible.

Instead of a checkbox exercise of what not to do, TOP’s UDA will facilitate high-quality urban design that contributes to attractive, functional, memorable, healthy, and safe cities.

The two pillars of the more streamlined planning consent process will be early community engagement and urban design review for better, faster outcomes. Community input will be shifted to the beginning of the design process instead of only allowing objections at the end, making the process more consultative and less adversarial.

Expert panels of architects, urban designers, and landscape designers will assess the urban design merit of new developments. TOP’s UDA will rely more heavily on professionals and be less influenced by NIMBY groups. The contribution of these expert panels will improve the function, design, and social connectivity of the spaces we frequent, creating a better living experience.

Empowerment of local authorities

Every new house build in New Zealand puts more pressure on local infrastructure. Local authorities need to have a stake in the growth they are enabling and the resources to build the necessary infrastructure. TOP will favour development of natural infrastructure that provides better public spaces, mitigates and adapts to climate change. Through redirection of tax on new developments TOP will ensure local governments get the operating

revenue for infrastructure they need to play their part.

Construction industry reform

The construction industry in New Zealand has run into some serious issues in recent decades and still faces several challenges:

Industry professionalism and training – The construction industry needs to be a good career option for young people. TOP will work to raise the status of vocational education among secondary students and their parents. On-the-job training will be balanced with more formalised courses and qualifications.

Consumer protection – TOP wants to make construction and building warranty insurance mandatory for all new residential builds. Quality liability will be gradually transferred from local authorities to a better-trained design and building industry.

Building standards and material supply – One cause of the high price of materials in New Zealand is the supply duopoly. This should not be exacerbated by restrictive standards for materials and performance. Adopting standards from proven overseas markets will reduce building costs and improve the quality (including energy efficiency) of our houses and buildings.

A new approach to social housing

TOP will explore two ownership models. Firstly, we will offer significant subsidies to not-for-profits,

charities, and cultural organisations that want to build and own social housing. This will include gifting or long-term leasing of government land (primarily Kainga Ora land) and guaranteeing access to low-interest loans. Secondly, we will explore European-style cooperative ownership models, which can remove barriers to home ownership and provide better social connection between neighbours. Our aim is to then develop a model that works in New Zealand.

REAL SOLUTIONS

For all good policies, impact should be measured and managed. With four powerful housing-related policies behind us during negotiations, our commitment is to stabilise house prices at current levels. Over time incomes will increase and we estimate that, after 12 years, New Zealand's housing will no longer be severely unaffordable. We will also track and eliminate undersupply in our key centres.

The housing crisis lies at the core of two of the major challenges facing our country: social deprivation and climate change. Offering real solutions to address both housing demand and supply, TOP's policies will deliver more affordable housing and better living spaces in urban centres, while also reducing carbon emissions from transport. They will lead to a fundamentally better quality of life for all New Zealanders.

“Imagine an Aotearoa NZ where our towns and cities are sustainable and climate friendly. Where housing is seen as part of our critical infrastructure and we live in communities that foster social connection and wellbeing. This is the Aotearoa NZ we want to create, and it can be done.” – TOP.

What drives our policy?

Aotearoa New Zealand is facing a both housing crisis and a climate emergency. Confronted with increasingly obvious environmental, economic, and social issues, New Zealand’s housing and urban development failings are being laid bare. Current outcomes across the country do not bear out the public sector being transparent nor efficient.

Tackling these challenges will take nothing less than a fundamental re-engineering of our cities and housing supply. We need both to be affordable, liveable, and energy-efficient – and that will require radical change.

But first we need to understand what the underlying problems are and how they are interlinked.

Not Good Enough

New Zealand has not managed urban development and infrastructure as well as it should have. Our urban design paradigm churns out car-based sprawl, offering poor public or eco-friendly transport alternatives, and restricts necessary urban intensification.

Some coastal areas of our towns and cities are under threat from predicted sea-level rises due to climate change. This has placed further importance on urban design for sustainable and resilient solutions.

Local and regional government has struggled to provide the planning and guidance needed. The institutions that deliver housing and urban development are neither incentivised by the funding system to implement better outcomes nor empowered to meet challenges.

The current Resource Management Act has been too restrictive on urban development. It has also encouraged building for social isolation rather than social connection.

The building industry has been starved of good alternative building materials and systems developed overseas due to a lack of quality building standards. We have also been slow to learn from improved practices and technologies in other countries.

Too Expensive

Chronic inflation of house prices has drastically impacted on Kiwis’ quality of life. The rising market has made some very wealthy at the expense of others. Property owners can look forward to comfortable early retirement with regular overseas holidays, simply from passive investment in real estate. Meanwhile, other groups have been marginalised sometimes to the point of poverty.

Poverty is growing in New Zealand and housing costs are the leading cause. Māori, Pasifika peoples, recent migrants, refugees, young people and students – in fact, almost anyone who wasn’t already on the “property ladder” in the last two decades now saddled with onerous housing costs in proportion to their income. This is directly linked to many social issues including child poverty, mental illness, and domestic violence. From Statistics New Zealand, we know that 13% of children live in conditions of material hardship. In this group, housing typically consumes 50% or more of household income.

We can and must do better. TOP’s Housing and Urban Development Policy lays out a long-term strategy to deliver affordable, sustainable housing and communities. We want to reverse market distortions that have made speculation and land-banking the preferred way to get ahead. We are unapologetic about our goal of **a managed medium-term decline in house prices and rents relative to disposable income**. We are concerned for the health and wellbeing of all Kiwis and want to see our cities transformed over the next 30 years into inspiring places people love to experience.

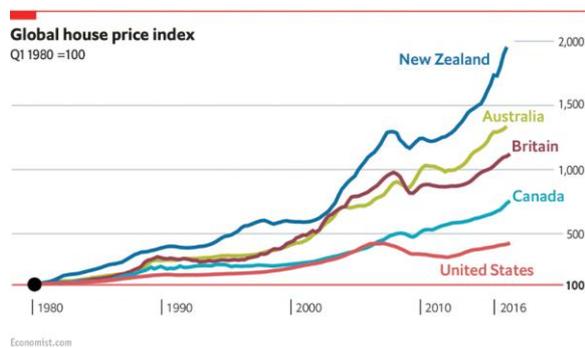
What is causing housing price inflation?

Housing in New Zealand benefits from the greatest tax advantage for any investment of any country in the OECD. No wonder Kiwis put more money in housing than any other country and we have the highest house prices!

This benefits speculators and homeowners and punishes renters. This is unfair and pushes up house prices, driving even greater inequality. The current tax system encourages borrowing and speculating on land values to an extent that almost resembles a pyramid scheme, and it has been open to the whole world.

Residential tenancy law has made the rental market focus too much on buying and selling for capital gain, at the expense of basic housing security for those who can't afford to own a home. Housing should be a vital part of our infrastructure as a nation, not a get-rich-quick scheme.

This inflation is a response to global forces as well as governmental policy failure. For example, in the 1980s, prices were driven up by general inflation. Combined household incomes have risen as pay equality for women improved. The banking industry was privatised and became focussed on making money by creating debt through lending on property purchases. And what's more, interest rates have fallen, particularly since the 2000s. These factors have made it easier for households to take on more and more debt.



Furthermore, while natural population growth in western countries has slowed, migration from developing countries has increased. This has created difficulties in New Zealand, with at times large outflows to Australia more than offset by inflows from Asia and Europe.

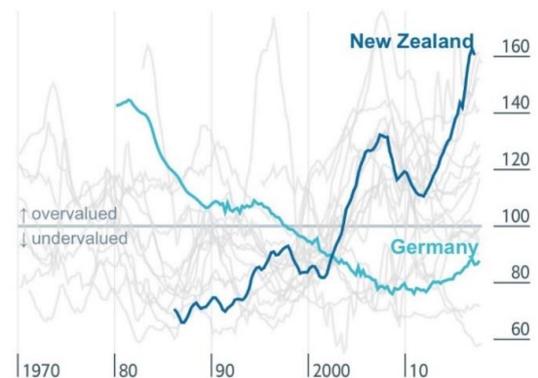
Moreover, the 2007 GFC caught China with large holdings of US dollars. Since then, China has sought to invest outside the US dollar and in real assets. So non-US Pacific rim cities have been targeted by Chinese property investors.

And yet countries with more mature tax systems and tenancy laws have managed to focus their economy on more productive areas than buying and selling houses. The evidence shows that it is possible to both increase incomes and hold house prices steady over time. Germany is a good example of this, as the graphs from "The Economist" below show.

House prices in **New Zealand** are **352% higher**
 × **Germany** are **4% lower**
 than in **Q1 1980**



HOUSE-PRICE INDEX IN HOUSE PRICES AGAINST
 real prices nominal prices income rent



HOUSE-PRICE INDEX IN HOUSE PRICES AGAINST
 real prices nominal prices income rent

These forces seem set to continue driving up house prices. Managing them will require strong and determined policy. TOP's Housing and Urban Development Policy tackles the housing crisis on two fronts: demand and supply. If we're serious about fixing housing and urban development, we must address the core issues on both sides.

Housing Costs are our Real Crisis

Poverty is growing in New Zealand and housing costs are the leading cause.

To create healthy, resilient housing and cities that all New Zealanders can enjoy, we must deal with issues on the side of both demand and supply.

To deal with the distortion of **demand**, TOP will:

- remove the favourable tax treatment and subsidies around property
- reform residential tenancy law
- oversee smarter migration

To address **supply** side issues, we will:

- introduce a better urban development strategy
- increase supply of new housing in the marketplace
- explore new approaches to social housing

Managing Housing Demand

Positive government policy

The current Government has recently made minor improvements to dampen demand.

Foreign property buyers are now more closely regulated and will now find it slightly more difficult to get into our housing market. However, there are still massive loopholes. Our tightly regulated land supply and tiny construction industry made us a sitting duck for these speculators, so more needs to be done to address this properly. We will pay for this policy mistake in coming years as these owners repatriate their profits.

The “bright line test” has been extended to five years to reduce property speculation returns. This test ensures that property traders are deemed to be running a capital gains business.

“Negative gearing” has been removed so that rental-property losses can no longer be deducted from income. This will recover tens of millions in subsidies going to landlords.

A capital gains tax has been finally ruled out. This is good as it would have had negative side effects and minimal practical impact on the housing crisis.

However, the Government has merely tinkered with a broken system.

First home buyer subsidies – Popular but ineffective

Australia and New Zealand have both attempted to address declining home ownership by subsidising first-home buyers. Australia offers stamp duty rebates. New Zealand provides an option to break into your KiwiSaver and give up to \$10,000 as a deposit subsidy. This is a populist policy and is essentially fighting fire with petrol.

KiwiSaver and the deposit subsidy have little effect in the main problem markets, like Auckland and

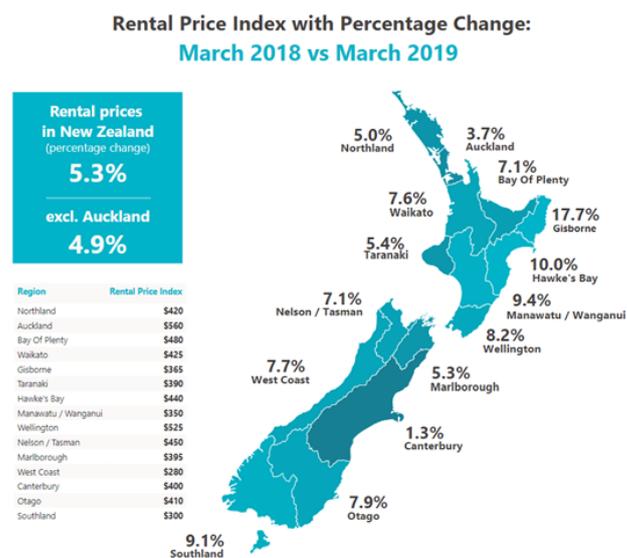
Wellington. However, in the regions where property is more affordable, first-home buyers entering the market with subsidies are reducing the supply of rental properties. When a house becomes owner-occupied, occupancy rates tend to fall, so it is not just a matter of rearrangement. In addition, a high proportion of the subsidy simply flows into price rises. This is also a problem with the Accommodation Supplement.

Strategies for assisting first-home buyers are part of the “property-ladder mentality” that TOP aims to change.

Negative government policy

According to the Tax Working Group’s Future of Tax: Final Report (2019) on tax and housing, the risk with unwinding subsidies for property investors is that rents will rise. In the regions, this is becoming reality.

This graphic from TradeMe illustrates the negative effects of these policy settings, with national rents continuing to rise faster than incomes. Steep rent rises are a worse problem than house prices because they have such a direct impact on the poorest in society. Rent inflation means that the Government is out of policy ammunition to manage demand.



TOP's solutions

Tax Reform

Top's cornerstone [Tax Reform Policy](#) is our best long-term demand management solution to property price inflation in New Zealand. It is essential if we are serious about fixing the housing crisis. It will remove the massive distortion in our tax system that is driving up property prices.

The fundamental difference between current policy and TOP's approach is that our tax reform will discourage land-banking for capital gain and shift investment out of property into productive areas of the economy.

- Land banking will become an annual cash drain for owners
- Large luxury houses and land holdings like lifestyle blocks will pay the most
- Income tax cuts will greatly assist renters and people with mortgages
- Wealthy Kiwis will release large houses and land in favour of income from other investments
- Retirement savings funds and shares in real companies will become more attractive
- Renting long term while having savings in the productive economy will become viable

Gradually introducing this asset tax and significantly lowering income tax will profoundly change the property-ladder mentality. House prices will hold steady while wages increase, meaning housing will become more affordable. In our view, the long-term gains for equality cannot be overstated.

For more information, check out:

[TOP: A 33% Tax Cut.](#)

Tenancy Act reform

TOP will change the regulations around residential tenancy law to make it far easier for tenants to remain at a property long term. For inspiration, we looked to more mature housing sectors such as Germany, Austria, and several other European countries.

Landlords will only be able to evict tenants for non-payment of rent or property damage. Selling a property will not necessarily be a legitimate reason for eviction. This will give tenant families the long-term security hitherto only enjoyed by homeowners, and massively improve housing as a social good – whether owned-occupied or not.

For more information, check out:

[TOP: Affordable Home Reform.](#)

Smarter Immigration

Immigration is a good and necessary thing for New Zealand, but first we need to get our housing situation and infrastructure up to par. Then we need to be smarter about how we manage immigration, especially if we take predictions regarding climate refugees seriously.

For more information about TOP's extensive policy research and work on smarter immigration, check out

[TOP: Smarter Immigration Policy.](#)

Improving housing supply

The novel part of TOP's Housing and Urban Development Policy targets supply. While developing this policy, we conducted extensive research and consulted urban designers, architects, and economists. There is general agreement that the main problem with supply is caused by land regulations and infrastructure bottlenecks. Labour's policy responses (KiwiBuild and the Urban Development Authority) saw the central government build new housing to compensate for local government failures. This "swallow a spider to catch a fly" approach didn't exactly flood the market with development opportunities.

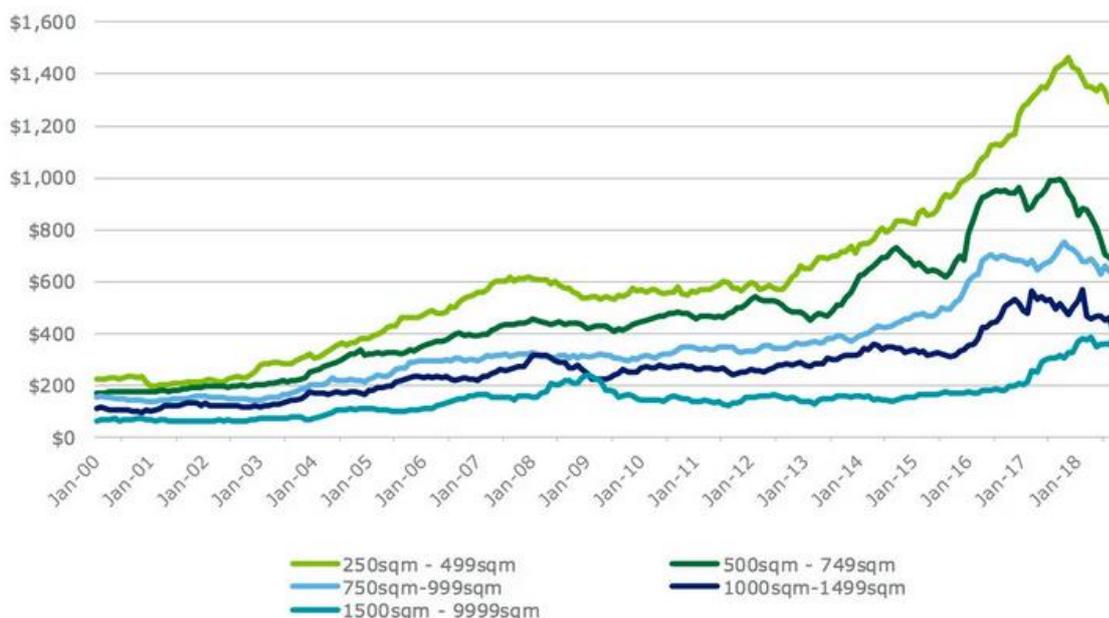
Reforming local government planning, on the other hand, is an approach that holds promise. The Auckland Unitary Plan is already having a positive effect. Land prices per square metre may rise when denser development becomes possible, but prices

per dwelling will come down – if major market distortions are removed as per our demand strategy.

The Government's analysis of the problem was correct, but the Kiwibuild programme is a 1950s solution. This was an era when labour and land supply was plentiful that bears no relationship to the present. The recent formation of Kāinga Ora is a small step in the right direction for improving planning processes, but we need to go much further.

TOP proposes reform in several primary areas that will ease the cost of new builds and make our cities more sustainable, resilient, and enjoyable. While Auckland is a key target, our solutions will work throughout the country. While the Labour party seeks to add more layers of government, we seek to roll them back. Our policy aims to leverage the capacity of the private sector.

Figure 2.6 - Auckland median section prices by size of section, 2000-2018 (\$ per m², 12 month rolling average)



Source: Deloitte Access Economics based on REINZ data

TOP will:

- Create an Urban Development Act to separate urban development (including infrastructure) from environmental management.
- Empower local government infrastructure by redirecting revenue.
- Reform the construction industry.
- Implement a fresh approach to social housing.

Urban Development Act

New Zealand needs a sustainable, resilient, long-term, nation-wide urban development strategy. One that shuns low-density urban sprawl, learns from inspiring overseas cities that millions travel to experience, and moves toward better-designed taone tupu ora – healthy resilient cities.

Inappropriateness of the Resource Management Act

The Resource Management Act (RMA) was intended to manage new development by focusing on its effects and relying on robust (but often lengthy) public participation processes and oversight by the courts. While this may be appropriate for managing our natural environment and resources, for urban developments it is too complex and time-consuming, and has led to poor design. To quote former chair of the Auckland Urban Design Panel, Graeme Scott: “Good urban outcomes over the last fifteen years have had to work around the RMA, rather being enabled by it”.

The RMA needs to be reformed or replaced to better protect our biodiversity and address wider environmental decline. Completely new legislation is required for proactive urban planning and development. For our cities and towns to meet the mounting challenges facing our society, they need to be designed and assessed in a directive way that maximises benefits, not just minimises negatives.

A new fit-for-purpose Urban Development Act

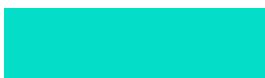
TOP will create stronger urban boundaries and introduce a new Urban Development Act (UDA) to facilitate good outcomes and appropriate intensification within those boundaries.

The three pillars of the act will be environmental, social, and economic sustainability. The planning consent process under the act will be based on community engagement and urban design review. The overall goal is to create a 30-year plan for more climate-change resilient, compact, vibrant, and environmentally friendly cities.



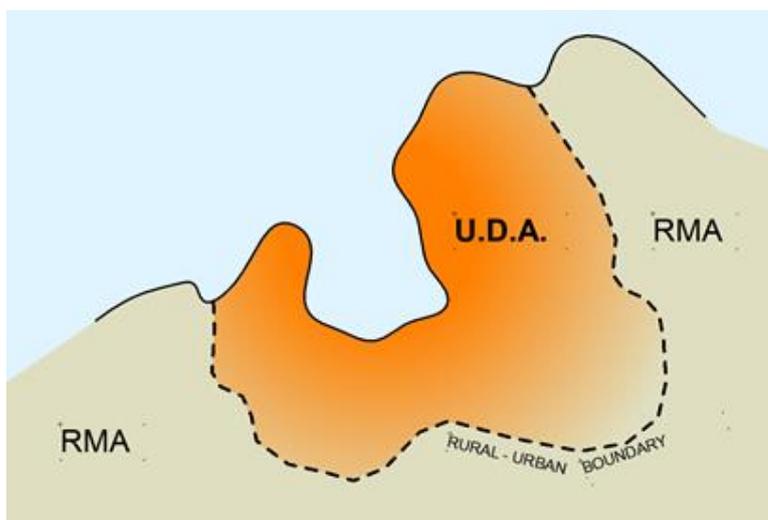
Urban Development Act

New legislation is required to separate urban planning and development from environmental management.



- Environmental
- Social
- Economic

The three pillars of Urban sustainability. We must plan for all three.



Specific goals of the 30-year plan

1. Begin making towns and cities more environmentally resilient as fast as possible.
2. Provide more housing within towns and cities to meet population growth.
3. Prioritise sustainable modes of transportation to minimise dependence on cars.
4. Facilitate high-quality design that contributes to attractive, functional, memorable, and safe urban environments, in partnership with mana whenua.
5. Address worsening social separation and improve health and wellness for everyone in our communities.
6. Preserve as much of our remaining fertile land and ecosystems as possible.

Key elements of TOP's UDA

Environmental Resilience

Climate change predictions show that some of our towns and cities lie in the path of rising sea levels. TOP's UDA will encourage greater collaboration between central and local government and focus more on the performance of cities and infrastructure. This will create a forum for iwi, communities, and businesses to help shape New Zealand's future wellbeing in the face of challenging climate change impacts.

The UDA will empower local government to make necessary important decisions, including:

- Restricting development in coastal erosion areas.
- Planning for managed retreat in some areas.
- Rejecting proposals for alterations or extensions to existing buildings in at-risk coastal zones.
- Discouraging construction of hard engineering works such as sea walls as a primary defence measure.
- Investigating creative buffer zone options such as building waterfront parklands.

Designing around Public Transport

The UDA will offer strong direction for cities and empower local government to develop Urban Development Plans (currently District and City Plans) around public transport hubs and active transport systems (such as cycling, walking) as fast as possible.

Rethinking the transport sector is critical for sustainable cities. Public transport hubs must be designed for the future, and planning rules developed to encourage high density developments and neighbourhoods around these hubs. We must look to cities like Munich, where an impressive 17% of inhabitants cycle to work, or smaller examples such

as Delft in the Netherlands. Significant investment will be needed in this area.

Therefore, TOP proposes redirecting local government revenue and setting up an urban development superfund. Some funding could also be diverted from the existing NZ Super Fund, which will not be needed if superannuation is finally subjected to means-testing (see [TOP: UBI For Families](#)). We also support central government borrowing to fast-track sustainable infrastructure systems.

Pro-development

The UDA will support sustainable development of higher-density, better-quality, mixed-use developments. When designed well, these are a step toward a more socially connected society.

All city and regional councils will benefit from the work that went into creating the Auckland Unitary Plan and the experience gained. They won't need to reinvent the wheel. Instead, they can build on and modify the plan to create effective urban development plans to massively increase the number of dwellings within current town and city footprints.

This will include planning changes such as:

- Mandating apartments and terraced housing zones around transport hubs.
- Creating mixed housing zones with fewer envelope and height restrictions.
- Permitting secondary/minor dwellings as of right.
- Incentivising good shared outdoor space and social facilities within multi-unit developments.
- More developments that aim for a mix of age groups and ownership models (see also the later section on social housing).

Urban footprints

The UDA will require local governments to clearly delineate city boundaries and limit how much productive, fertile land is dug up for housing developments. Development within urban boundaries will be made much easier than outside them.

Mana whenua participation

The UDA will outline processes to involve urban Māori in city planning and take advantage of any opportunities identified for future sustainable urban development. This will include not only developing prime central-city land owned by iwi, but also providing papakainga-style housing developments in our communities.

Community Engagement and Urban Design Review – The consent process

The two pillars of TOP's UDA planning consent process will be early community engagement and expert design review for better, faster outcomes.

Community engagement and transparency

The UDA planning consent process will focus on public transparency and community engagement early in the design phase for all significant developments. Communities should know what is going on around them and not be hit with nasty surprises. Publicity and input will be shifted to the beginning of the design process, instead of only allowing objections at the end.

There are several ways to achieve this, including design-led community consultation and input days for larger developments. This will be particularly relevant when redeveloping Kāinga Ora sites, and apartment and terraced housing developments. This process has already been used successfully in New Zealand and wonderful examples can be found throughout the UK and Europe.

Urban Design Review

All significant developments will be assessed on their urban design merit by expert panels. The panels will take their cue from, and improve on, the processes of the Auckland Urban Design Panel and Kāinga Ora.

Sustainable Services infrastructure

TOP will favour development of natural infrastructure that provides better public spaces, mitigates and adapts to climate change.

The UDA will incentivise incorporating on-site energy production and waste/stormwater management in new developments, e.g. rain gardens, water storage tanks, onsite wastewater treatment systems. This will reduce environmental footprints and the load on centralised infrastructure. Similarly, local and regional councils will be encouraged to design for sustainable water management.

New Zealand has professional bodies of architects, urban designers, and landscape architects with the desire and skill to facilitate good higher-density urban development outcomes. The UDA will amplify the influence of these professionals and reduce that of NIMBY groups. To date, this process has produced successful outcomes in New Zealand.

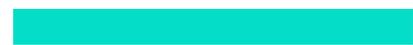
Removal of appeals

Urban design review decisions will be final. The appeals process will be removed, except for developments of national significance. This will speed up the process and reduce legal interference.



Community Engagement Urban Design review

The two pillars of TOP's
planning consent process



Urban planning for future sea-level rise

Much of New Zealand's urban development and infrastructure lies in coastal areas. We must start developing flexible adaptation plans for future sea-level rise right now.

In these areas, we know climate change is likely to increase:

- The frequency, duration and extent of coastal flooding.
- How often seawalls are overtopped by waves and high tides, and historic high-tide marks are exceeded.
- Saltwater flooding of stormwater infrastructure.
- The potential for saltwater to enter underground freshwater aquifers.

Superfund: Meeting the cost of adaptation

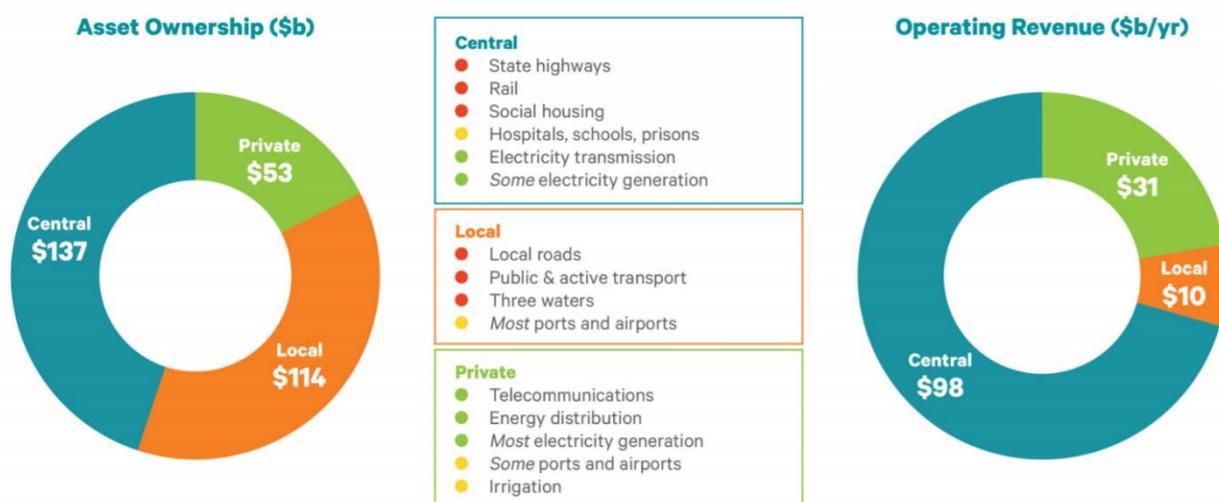
The costs of effectively preparing towns and cities for climate change will be massive. TOP proposes immediately setting up an urban development superfund, so that in years to come local authorities can apply for substantial assistance for modifying their urban infrastructure to cope with projected sea level rise.

Empowering Local Infrastructure

Every new house build in New Zealand puts more pressure on local infrastructure, but as these Infrastructure New Zealand graphs show, local governments are not getting the operating revenue they need to keep up. Central government owns 45% of the country's infrastructure and receives 70% of the revenue generated to manage it. Local government owns 38% of infrastructure but only receives 7% of the revenue.

Everyone wants our regions to thrive, but some of the revenue from growth needs to be recycled back to them. This will give local governments a stake in that growth and the ability to invest and play their part.

TOP will favour development of natural infrastructure that provides better public spaces, mitigates and adapts to climate change. Through redirection of tax on new developments TOP will ensure local governments get the operating revenue for infrastructure they need to play their part.



Investing GST revenue from construction

One way of addressing the imbalance in operating revenue is to allow councils to submit the realised costs of development to central government and receive a refund up to the value of the GST gained on new properties. Take a typical 178m² house-and-land package in Papakura. If this level of taxation was producing a plentiful supply of affordable homes, it might be acceptable. But we have chronic structural supply failure and price inflation in many housing markets.

TOP wants to see a clear relationship between constructing new housing and local government delivering infrastructure. Redirecting GST to directly fund infrastructure will:

- Make housing developments more feasible.
- Ensure that infrastructure develops in lockstep with regional demand.

- Help stabilise demand from the construction industry, making it more productive.
- Foster innovation and promote better public spaces in urban environments.

| | |
|----------------------------------|------------------|
| Developers package price | \$895,000 |
| GST paid to central govt | \$116,739 |
| BRANZ building research levy | \$ 895 |
| Council development contribution | \$ 26,000 |
| Total tax | \$143,634 |

Construction Industry Reform

The construction industry has run into some serious issues in recent decades. It is a small-scale sector beset by boom/bust bankruptcy cycles. It focuses on inefficient customised single dwellings rather than standardised multiples. Other challenges it faces include inadequate:

- Support as a career option.
- Training.
- Regulation, so that a few sub-par operators cause a lot of harm.
- Supplies, since material pricing and alternatives are unnecessarily restricted.

The current set-up need not be completely thrown out, but TOP is calling for a Commission of Inquiry to fully understand where we can do better. Areas to examine include:

- Legislation.
- Building standards.
- Industry culture.
- Training.
- The Licensed Building Practitioner scheme – especially how it is enforced.

Even without a full enquiry, there are obvious improvements to be made. The boom-bust cycle can be reduced by opening greater development potential within urban boundaries and steering money away from pumping up the value of existing houses and into new developments (as per our demand management proposals). Our policy of funding local government for public infrastructure makes larger scale builds more feasible, and our UDA will cut developers' legal costs.

Industry professionalism and training

The construction industry needs to be a more attractive career option for young people. Too often it is a last resort. We need more people to actively choose these professions.

Unless a full Commission of Inquiry produces different recommendations, TOP proposes several improvements:

- Ensure secondary schools place more emphasis on this career choice.

- Balance on-the-job training with more formalised courses and qualifications.
- Introduce more licencing and raise the expected standards.
- Widen the qualification net to include ancillary disciplines such as building inspectors, building managers, and construction project managers.
- Establish procedures for penalties and removing licences.

Health and safety on the building site

Health and safety regulations have added significant costs to building in recent years. Although the number of accidents in the construction industry did need to be reduced, the current legislation has sometimes led to over-the-top solutions.

TOP will review how this legislation is implemented to create a more flexible, performance-based system. After all, the additional costs are only being passed on to consumers, so they should be proportionate to the safety benefits gained.

Cooperative Consenting

Regional building consent authorities have slowly been adopting the same or similar online consenting processes, which is already increasing consistency across the industry.

TOP wants to foster this consistency into even greater cooperation and to streamline the overall consenting process to the point that building consent authorities may want to merge naturally.

Consumer protection

The leaky homes saga and sub-par practitioners hiding behind limited liability are examples of the public losing money and local or central government being sued due to construction sector failures. We need to raise the standard so we can reduce the red-tape burden on organisations that can demonstrably manage their own risk – and get rid of those that can't. This will take some time and several improvements are needed.

TOP wants to make construction and building warranty insurance mandatory for all new residential builds. This will help move the industry toward a user-pays insurance environment. It will gradually move sub-par operators out of the industry as they won't be able to get insurance.

Local government building inspections should eventually only assess compliance with district plans and infrastructure connections. This will greatly reduce local building consent authorities' liability under joint and several laws. Liability for building quality will slowly be transferred to better-trained design and building industries, and ultimately their insurers. The insurers will be required to ensure a professional level of construction monitoring within the policy contract.

Unit titles act

Intensification will see unit titles become more common. TOP will reform the Unit Titles Act to better protect unit title holders and facilitate dispute resolution.

Building Code Performance

Like our approach to the urban development process, TOP wants the Building Code standards to become less prescriptive and more performance based. Rather than just assessing the compliance of individual elements, we want to ensure houses and buildings function well as a system. There are already good examples in New Zealand of this being done voluntarily, but TOP wants this to become the norm.

We can also learn from overseas systems that have produced good results and led to healthier, better-quality homes. Below is a snippet of the Energy Step

Code used in British Columbia. Local governments can choose to require or incentivise any step in the code in new construction.

Material Supply and Standards

There is debate around whether high material prices in New Zealand are due to the market power of large industry players in materials supply. Also, the Building Research Association of New Zealand (BRANZ) is arguably under-performing its role, and limits consumers' access to more cost-effective alternative materials.

Regardless of the merits of this debate, our small country needn't set all its own standards for performance and materials. We do need some New Zealand-specific ones, but we could and should adopt more standards from Australia, Europe, and North America. In these other markets, innovative new technologies such as prefabrication and modular systems are commonplace. These enable faster, more cost-effective construction and greater thermal efficiency.

The New Zealand building industry will catch up eventually, but in the meantime, adopting standards that make it easier to bring in other good building systems and materials will speed up development and ensure healthy competition in our material supply market.



New Approach to Social Housing

If New Zealand is to achieve social sustainability, we need to rethink the current social housing approach. There are some examples of models that work here, but Kiwis are generally conditioned not to share common spaces with neighbours, or not even know them.

Kāinga Ora can't create a meaningful supply of affordable social housing, let alone bring about real change in the housing market. The state housing model it is based on has several disadvantages:

- Lower socio-economic groups are isolated into ghetto-like suburbs.
- Rising maintenance costs as developments age aren't funded or addressed.
- The Government is committed to subsidising tenants who may no longer need support.

To counteract these problems, the Government has focused on offering an accommodation subsidy to beneficiaries to help them participate in the private sector rental market. This approach always fails when supply is tight. For example, when the Government raised the accommodation subsidy for students by \$20, rents for student flats simply went up by the same amount (at least anecdotally).

Improving social housing will require innovation and a combination of policy approaches.

Firstly, TOP will significantly subsidise NGOs, charities, and cultural organisations wanting to build and own at-cost social housing. This will include gifting or allowing long-term lease of government land (primarily Kāinga Ora land) and offering low-interest loans. A number of such organisations have already conducted terrific research into what their communities need, so we should empower them with Kāinga Ora land. TOP's UDA will also help them get results faster.

Secondly, TOP will explore European-style cooperative ownership models, where groups of owners form cooperatives to build housing for themselves. Members pay a refundable deposit (e.g. \$50,000) and rent that covers loan and operating costs. New Zealand has a history of cooperatives in agriculture, but little experience of how this might work with housing. TOP will set aside Kāinga Ora land and brownfield sites in major cities to test models and develop one that works here. TOP will also invite mana whenua to explore scaling up papakainga-style developments.

Both the cooperative and papakainga models avoid the normal drawbacks of state housing schemes. If they prove scalable, they will ensure that tenants receive the benefit of accommodation supplements, rather than private-sector landlords. Accommodation subsidies can then be withdrawn and redirected when beneficiary incomes rise. Tenants will enjoy better-maintained properties in more stable communities, in some cases with an ownership interest.

Foster Social Connection

Most cohousing models are designed to increase social interaction between people, by sharing resources and property stewardship.

In Summary

Rising house prices are bad for the economy. Money spent on housing could otherwise go towards improving health and education and mitigating the climate crisis. Prices are also soaring as a proportion of household income for New Zealand's lowest-income groups.

TOP is committed to correcting the impact of this inequality on our culture and the wellbeing of our people. We want to reign in housing costs to affordable levels relative to incomes. We want better outcomes for Kiwis at the lowest margin and to foster more social connection in our communities.

TOP's Housing and Urban Development Policy is designed to tackle multiple root causes of land-price inflation. Our Tax Reform Policy will radically reduce incentives to hold wealth in the form of real estate. It will return under-used, land-banked property assets to the market. It will also directly increase the income of the lowest-paid groups and their ability to pay rent and housing costs, without increasing the overall tax burden.

TOP will completely reform the urban development planning process with a new fit-for-purpose Urban Development Act, including a clear 30-year plan to create healthy, resilient cities. Our UDA will:

- create regional urban design panels responsible for reviewing major developments, focusing more on performance.
- prefer environmentally sound developments supported by public transport, as well as walkable neighbourhoods, and more and better-quality public spaces.
- favour urban intensification over rural expansion to enable our regions to thrive.
- cut delivery times for new projects by clarifying standards and removing the appeals process.
- increase collaboration across central government, and between central and local government.

TOP will also:

- partner with the construction industry to increase the quality and quantity of its workforce and make it a desirable career option.
- redirect revenue to local government to maintain public assets and infrastructure and give them a stake in local growth.
- test alternative housing ownership models.
- track and eliminate undersupply in major cities.

Our commitment is to stabilise house prices at current levels. We will measure and manage the impact of our policies. Over time incomes will improve, and we estimate that after 12 years, New Zealand's housing will no longer be severely unaffordable. We believe this will successfully shape New Zealand's future wellbeing and combat the impacts of climate change.

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