

Submission

by

**THE
NEW ZEALAND
INITIATIVE**

to Auckland Council

on

the Draft Future Development Strategy

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Prepared by:
Eric Crampton, Chief Economist
Roger Partridge, Chair
The New Zealand Initiative
PO Box 10147
Wellington 6143
eric.crampton@nzinitiative.org.nz

1 INTRODUCTION AND SUMMARY

- 1.1 This submission in response to Auckland’s Future Development Strategyⁱ is made by The New Zealand Initiative (the **Initiative**), a Wellington-based think tank supported primarily by major New Zealand businesses. In combination, our members employ more than 150,000 people.
- 1.2 The Initiative undertakes research that contributes to the development of sound public policies in New Zealand and the creation of a competitive, open and dynamic economy and a free, prosperous, fair and cohesive society.
- 1.3 The Initiative’s members span the breadth of the New Zealand economy; a well-functioning Auckland is important to them. The views expressed in this submission are the views of the author, not those of our members.
- 1.4 We do not aim to comment on all aspects of this document. We focus on the areas within our policy expertise.
- 1.5 In summary, we submit:
- (a) The Strategy’s restrictions on development will worsen housing shortages and housing affordability;
 - (b) Council must fundamentally reconsider how it thinks about carbon emissions. Urban emissions are covered by the Emissions Trading Scheme. Council action in seeking to limit local emissions may have no effect at all on national-level emissions. But Council has a critical role in facilitating its residents’ responses to rising carbon prices in the Emissions Trading Scheme;
 - (c) Council should rely more strongly on signals provided by land prices in determining whether its plans have been sufficiently enabling;
 - (d) Council should take up opportunities for better funding and financing of the infrastructure necessary to support urban growth, rather than constrain urban growth to meet Council’s perceived balance sheet limitations. Crown Infrastructure Partners is working to make the Infrastructure Funding and Financing Act more easily available for smaller projects;
 - (e) Designating urban growth corridors early, through use of option contracting, and exercising those options as needed, as discussed by the Infrastructure Commission, would bring down the cost of infrastructure over the longer term.

2 PRINCIPLES FOR GROWTH AND CHANGE. PRINCIPLE 1: SUPPORT GREENHOUSE GAS EMISSION REDUCTION

- 2.1 There is critically important work for Council to be doing as part of the country’s transition towards net zero. Unfortunately, the strategy as outlined at a high level fails to address the issues that Council needs to be thinking about, while proposing measures that will not contribute toward net zero.
- 2.2 Barring trivial levels of emissions from livestock, all urban emissions are covered by the Emissions Trading Scheme. National-level net emissions are driven by the number of ETS credits issued by central government, plus any accumulated stockpiles of ETS credits.
- 2.3 It is difficult to think of any substantial urban emissions that are not covered by the ETS. Domestic transport is entirely covered by the ETS. Construction is covered by the ETS. Heating and process heat are covered by the ETS. Every tonne of emissions in the covered sector requires the surrender of a New Zealand Unit (NZU) to cover those emissions. In the

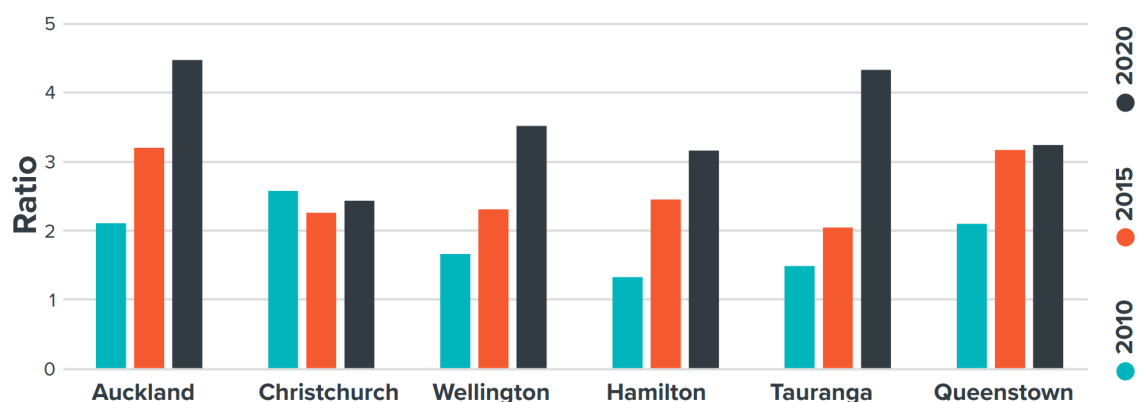
case of transport, fuel companies purchase and surrender ETS credits on behalf of later fuel users.

- 2.4 The ETS matters substantially for any Council-led efforts to reduce emissions within the city. If emissions from the city doubled, or halved, or quadrupled, or disappeared entirely, national-level net emissions would be entirely unchanged unless central government reduced the number of ETS credits that it releases each year.
- 2.5 If central government does not reduce the number of ETS credits that it issues, the only effect of reduced emissions in the Auckland region is a shift in the location of emitting activities. Every credit that is not purchased by an Auckland business or on behalf of an Auckland resident will be purchased instead by someone else.
- 2.6 Determining the cost-per-tonne of emission reductions matters. If a Council initiative would cost \$700 per tonne of net emission reductions, and the current carbon price is \$70 per NZU, Council could instead choose to buy and retire ten tonnes worth of ETS credits for the same cost to the community – and do ten times as much good in reducing net emissions.
- 2.7 Even if central government decided to reduce the number of carbon credits it issues in response to reductions in emissions in Auckland, carbon initiatives in Auckland would still do only a fraction as much good as simply buying ETS credits and retiring them, unused.
- 2.8 It is unlikely that Council will find areas where it can deliver net emission reductions for less than the going carbon price. But there are areas where Council will be critically important in enabling residents and businesses to respond to rising carbon prices.
- 2.9 Rising carbon prices will affect where people want to live, where businesses wish to locate, patterns of working from home versus commuting, preferred transport mode, type of desired housing and more. Council zoning needs to be flexible to enable changes in site use as resident and business needs change. Transport planning has to incorporate the likely effects of rising carbon prices.
- 2.10 To put it bluntly, the strategy ignores the key area where Council can really help enable residents to adapt to rising carbon prices, while pursuing initiatives that cannot reduce net emissions because of their intersection with the ETS.
- 2.11 In 2021, the Urban Land Markets Group, a broad set of urban-oriented economists and analysts brought together by Associate Minister Twyford to provide an independent stream of advice on housing policy, prepared a submission to the Ministry for the Environment on the Emissions Reduction Plan and its implications for urban policy. That submission is attached to this submission. It argued that councils have a key role to play in ensuring that zoning and transport infrastructure can enable the ways that people will want to live, move, and work as carbon prices rise. Councils could also very usefully work in mitigating additional market failures that may become apparent as carbon prices rise, if such interventions pass cost-benefit assessment. However, councils attempting to directly target emissions within the sectors covered by the ETS would be unlikely to reduce net emissions. It also warned central government that councils could use carbon emissions as a new tool for frustrating the government's urban growth agenda, and that central government should be vigilant in guarding against this.
- 2.12 We consequently strongly endorse the Future Development Strategy's suggestion of liberal mixed-use zoning (implicit in Principle 1(b) and Principle 1(c)) but urge reconsideration of Principle 1(a). Allowing intensification is important, including removing character designations that restrict building in places where people want to live. But allowing further urban expansion is critically important.

- 2.13 Work by the Urban Land Markets Groupⁱⁱ, drawing on work by Treasury and further developed at Treasury, demonstrated how restrictions at a city’s fringe push up land prices across the entire city.
- 2.14 When a developer can add infrastructure to a paddock and easily create a new subdivision, that subdivision competes with downtown apartments for residents. But rather than causing any large outflow to the suburbs, the process instead brings down land prices downtown. Downtown land is forced to compete for new development and for new residents with land at the edges of town.
- 2.15 An example may help illustrate. Imagine that a car company comes up with a new model that costs 75% less than other new cars, with similar quality. That car’s entry into the market would bring down the cost of used cars across the entire market, because used cars would have to compete with that new model. Even if few of those cars were purchased, the effect would hold. But if government decided later to ban that new car, prices of used cars would rise over time – because that competitive pressure had been removed. Auckland’s ban on new subdivisions has similar effect.
- 2.16 Allowing paddocks to turn into subdivisions, while requiring that those developments cover the cost of their infrastructure over time, helps bring down land prices across the entire urban area. But the presumption against expansion in the Future Development Strategy effectively bans private plan changes.
- 2.17 The Infrastructure Commission this year demonstrated that zoning restrictions at Auckland’s fringes add over \$1200 per square metre to the cost of land at Auckland’s fringes, or about \$630,000 for a 500 square metre section – over and above the cost of making rural land ready for urban use.ⁱⁱⁱ
- 2.18 In 2020, land just inside Auckland’s urban boundary cost over four times as much as land just outside that boundary. That differential doubled in the decade since 2010. See Figure 2 from the Infrastructure Commission’s report, reproduced below.

Figure 2: The rise of urban land values... but not everywhere

Ratio of land values inside the urban boundary relative to outside the boundary



- 2.19 Carbon prices will be much higher over coming decades. Council has to plan for a future in which residents will face higher carbon prices. But that is not a reason to restrict urban expansion at the city’s fringes. The carbon costs of suburban living will be passed along to those deciding to live there, because urban emissions are covered by the Emissions Trading

Scheme. They will consider those costs in deciding where to live, and developers respond to expected demand for housing when deciding where to build.

- 2.20 High carbon prices may mean fewer people will want to live farther out. Or they may choose electric vehicles or prefer public transit. Suburban choices can be consistent with a higher carbon cost world. But banning suburban expansion will constrain choices while increasing land prices across the entire city. Downtown apartments will be less affordable because of restrictions on building at the city's fringes.
- 2.21 Liberal mixed-use zoning across the entire city, and at city fringes, provides the most flexibility for dealing with rising carbon prices while doing the least harm. And especially where congestion charging is soon to be implemented.
- 2.22 We note that Objective 2 of the National Policy Statement on Urban Development states that "Planning decisions improve housing affordability by supporting competitive land and development markets". Policy 1 of NPS-UD urges that "Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum: (a)(d) support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets." Auckland's proposed Future Development Strategy runs contrary to both.

3 PRINCIPLE 2: ADAPT TO THE IMPACTS OF CLIMATE CHANGE

- 3.1 The Strategy suggests avoiding growth in riskier areas while promoting infrastructure resilient against more frequent flooding.
- 3.2 Broad, liberal, mixed-use zoning across as much of the city as possible will naturally reduce demand for living in riskier places. People are pushed into riskier places when development is too constrained in safer places, all else equal. Viewshafts and special character areas that inhibit development in Auckland's safer neighbourhoods also make it harder for Auckland to adapt to climate risk. The same will hold true for development at city fringes.
- 3.3 Rather than ban building in riskier places, council could allow it under condition that buyers are well-advised of the risks and that those communities are required to cover the higher infrastructure costs associated with living in those areas. It is unlikely that many would wish to take on those costs, but it is difficult to predict. Allowing people to make those choices, at their own risk and expense, provides greater flexibility.

4 PRINCIPLE 3: MAKE EFFICIENT AND EQUITABLE INFRASTRUCTURE DEVELOPMENTS; PRINCIPLE 5: ENABLE SUFFICIENT CAPACITY FOR GROWTH IN THE RIGHT PLACE AND AT THE RIGHT TIME

- 4.1 Auckland's housing affordability is amongst the worst in the world. Most international measures suggest housing is affordable when the median house price is about three times the median household income. In Auckland, that multiple is now close to ten – with median house prices of about a million dollars and median household incomes of around \$100,000. It is cold comfort that the recent house price slump means the multiple is down from over 11. In 2010, it was only a little over six.
- 4.2 The high cost of housing is one of Auckland City's worst problems. It is a major contributor to poverty. It accentuates the cost-of-living crisis. It acts as a handbrake on labour mobility, locking workers out of comparatively high-income urban areas. It contributes to shortages of teachers and nurses, who often cannot afford to live near the schools and hospitals that need them. And it fuels an inter-generational divide.

- 4.3 Against this background, a draft Future Development Strategy that tightens restrictions on growth on the city's fringes is the opposite approach to the one the Council should be taking to address arguably the city's worst public policy problem.
- 4.4 The Strategy expressly states, "There will be less reliance on expansion into future urban areas, and what growth there is will be phased over a longer timeframe."
- 4.5 But land for urban development at the city's fringes is already in scarce supply. So much so that this has resulted in the price differentials between land either side of the rural urban boundary noted above.
- 4.6 Aucklanders will never have affordable housing if the cost of land on the city's fringes is artificially inflated by planning restrictions. That is because the scarcity of rural land for housing does not simply affect the cost of housing on the city's fringes. And, as noted in paragraph 2.13 above, the price of sections at the fringes constrains property prices across the city.
- 4.7 Consequently, Auckland Council's proposals to constrain urban growth will prop up property prices city-wide.
- 4.8 The FDS seeks to ensure most efficient use of infrastructure. For existing infrastructure like roads, congestion charging aimed at maximising traffic throughput will mean existing infrastructure is more efficiently used. It will also mean that new suburban developments internalise a potential external cost of suburban expansion.
- 4.9 Constraining development to ensure rapid uptake of new infrastructure necessarily means pushing up land prices at the expense of housing affordability. It is better, and more equitable, to charge the beneficiaries of infrastructure for its cost over the life of the infrastructure – partnering with Crown Infrastructure Partners to use IFF combined with special ratings areas for larger infrastructure. Doing so spreads the cost of infrastructure across its users over time, rather than across users and non-users spatially. It also helps remove bottlenecks that constrain against development and that inflate the cost of land zoned for current housing development.
- 4.10 Drip-feeding land for development almost guarantees inflated land prices. Making land available early, so long as developments can cover the resulting infrastructure costs, is more consistent with the urban growth agenda and the principles of the National Policy Statement on Urban Development.
- 4.11 Trying to force a city's development timing to meet the city's balance sheet constraints on infrastructure is worse than using special purpose financing vehicles to enable organic city growth wherever the costs of the necessary infrastructure can be supported by its users over time.
- 4.12 Mixed-use zoning provides flexibility in response to changing demand for commercial and residential spaces.
- 4.13 Rather than plan where and when development will be allowed to happen, Council should focus on securing options for the transport and infrastructure corridors necessary for supporting growth. Early purchase of options for corridors can substantially reduce the cost of later land acquisition. And enabling optioned corridors to be developed whenever there is sufficient demand from developers to cover infrastructure development costs means the city would be responsive to population and demand changes.

5 CONCLUSION

- 5.1 Auckland's Draft Future Development Strategy too sharply constrains urban growth, both upwards and outwards. Rather than take a prescriptive view about what development

should be allowed where and when, it should be prepared to facilitate and encourage growth whenever new developments, whether they be apartment towers or subdivisions, can cover their own costs over time.

- 5.2 Continuing to use infrastructure constraints as reason to constrain growth, when better funding and financing options are available, and continuing to use character and viewshaft restrictions as a way of preventing development in places where people want to live, invites central government to set an Urban Development Authority that would override the City's plans. Central government would be right to do so, if this plan is not amended to enable urban growth and more affordable housing markets.

ⁱ Auckland Council. 2023. *Draft Future Development Strategy*. Available at <https://akhaveyoursay.aucklandcouncil.govt.nz/future-development-strategy>

ⁱⁱ Blaschke, B. et al. 2021. "A new approach to urban planning." Available at <https://cdn.auckland.ac.nz/assets/business/about/our-research/research-institutes-and-centres/Economic-Policy-Centre--EPC-/USEPP002.pdf>

ⁱⁱⁱ Infrastructure Commission. 2023. "Urban land prices – a progress report." Available at <https://www.tewaihang.govt.nz/assets/Uploads/Urban-land-prices.pdf>

Submission
to
the Ministry for the Environment
on the
Emissions Reduction Plan

24 November 2021

Prepared by members of the Urban Land Markets Group

Group members are providing advice for the public good and are not necessarily reflecting the views of their respective organisations. The advice is a collaborative effort, so individuals do not necessarily endorse every element in the advice.

INTRODUCTION AND SUMMARY

- 0.1 This submission on the Ministry for the Environment's *Emissions Reduction Plan* [the Plan] is made by members of the Urban Land Markets Group, an informal working group established by Associate Minister Twyford and authorised by Minister Parker to provide an independent stream of policy advice on housing and competitive urban land markets.
- 0.2 The Group aims to ensure policy and regulatory settings are consistent with achieving housing affordability. It has produced two working papers providing advice on competitive urban land markets and on complementary measures in infrastructure funding and financing to enable more housing development.
- 0.3 Members of the Group are concerned about unintended consequences of the Plan for housing supply and for housing affordability. When considering matters of urban form, urban design, and building standards, aspects of the Plan risk working at cross purposes to the government's urban growth agenda while potentially achieving little reduction in net national emissions.
- 0.4 The Group acknowledges circumstances whereby coordinated regulatory and investment initiatives can reduce net emissions by more than would be possible solely through the ETS.
- 0.5 Market failures may hinder appropriate responses to rising carbon prices, making adjustment unduly costly. Policies remedying those failures can make the ETS more effective, reducing the overall cost of reaching net zero. Such measures should be supported by appropriate cost-effectiveness evaluation.
- 0.6 If political constraints mean the ETS cap can only be reduced to the level the electorate can bear, rather than the level consistent with a durable path to net zero, additional policies that ease the political constraint and enable greater emission reductions may be warranted. This can be welfare enhancing if the initiatives are cost-effective relative to the best-available alternative options. However, demonstrating cost-effectiveness requires knowing what the optimum price would be if the government set the optimal cap — and this is unknown, and there is no process to discover it. This means in practice relatively prescriptive guidance is required for cost-effectiveness assessments.
- 0.7 Several central government initiatives are already underway that have consequential effects on urban emissions. These include:
 - (i) The RMA 1991's National Policy Statement on Urban Development;
 - (ii) the Enabling Housing Supply Bill currently before Parliament;
 - (iii) the Government Policy Statement on Housing and Urban Development;
 - (iv) the Government Policy Statement on Land Transport;
 - (v) plans for congestion charging and transport charging more generally; and,
 - (vi) the declining cap on net emissions provided by the Emissions Trading Scheme, which covers all consequential urban greenhouse gas emissions.
- 0.8 Unless they address other demonstrable market failures or ease local regulatory constraints against adopting lower carbon options, it is unlikely individual local government urban planning initiatives can have substantial cost-effective effects on net national emissions, when the existing suite of policy initiatives already in progress is considered. However, coordinated action across all councils, perhaps through the Plan may reduce national emissions, if political constraints have prevented further reductions in the ETS cap. But the issue is determining the

cost effectiveness of such collective initiatives. Other options may more effectively address the political constraints.

- 0.9 In our view, councils have used their zoning and consenting powers to protect their balance sheets against the costs that they believe is consequent to urban growth. Those incentives led to zoning and consenting decisions that have stymied urban intensification and housing development.
- 0.10 The government's housing supply agenda has worked to prevent councils from using zoning and consenting to stymie housing development. These measures will enable more intensive urban form by making it harder for council to use zoning and consenting to block new housing development.
- 0.11 Measures recommended by the Plan would provide councils with new tools capable of frustrating development and could undermine the government's objectives in housing supply.
- 0.12 Further, there are trade-offs between policy responses for emissions reductions compared to responses for climate adaptation. For instance, more dense and centralised urban form may reduce emissions from utility networks, but may increase exposure to risk by 'placing more eggs in one basket' when major storm events occur that cause network outages.
- 0.13 We urge the Ministry to consider very carefully the place of urban planning in the Emissions Reduction Plan. Measures already underway will work to reduce urban emissions and will have substantial effects on urban form. Asking councils to consider emission reductions explicitly in planning and consenting, over and above the consideration already given to those emissions in measures already underway, with insufficient guidance puts the housing supply agenda at risk for little potential greenhouse gas abatement.

1. Urban emissions and the current policy environment

- 1.1 When councils believe they face substantial costs in accommodating urban growth, they use zoning and consenting powers to protect their balance sheets. Over decades, these restrictions have had substantial effects on urban form, housing supply, and housing affordability. They prevent intensive development in places where infrastructure costs may be higher, while also restricting development at city fringes.
- 1.2 We have inherited urban transport infrastructure set in an environment where congestion was not priced and carbon emissions neither priced nor considered. This created a bias toward higher-emitting urban forms than is desirable to help today's climate change objectives.
- 1.3 The policy environment has substantially changed for the better. Past patterns of urban development will provide a poor predictor of future urban form.
- 1.4 Since 2020, the Emissions Trading Scheme has had a binding cap on net emissions, with a sinking-lid policy soon set to take effect. The ETS provides a price on carbon, making emissions more costly. All substantial urban emissions are covered by the ETS. Rising ETS prices, and expectations of rising ETS prices, will affect decisions made by households, firms, and councils, where they are allowed to do so.
- 1.5 Where council zoning and consenting practices have imposed undue restrictions on urban intensification, the Government's housing supply agenda works to enable more intensive urban forms. For example:
 - 1.5.1 The National Policy Statement on Urban Development enables substantial increases in density in places near transit nodes. More people will live in places well-served by lower-emission options. This will have effects on urban emissions. It also requires the

removal of minimum parking requirements from urban environments, which will indirectly enable higher density and support lower transport emissions.

- 1.5.2 The Enabling Housing Supply Bill, currently under consideration by Parliament, will require councils to allow far more housing. Development of up to three houses of up to three stories each will be allowed in most places in Tier 1 urban centres. While the Bill provides for a relatively modest increase in density, the large size of the area affected means the Enabling Housing Supply Bill has the potential to significantly increase housing supply. The effect of the change should be largest on underdeveloped lots in locations where people wish to live. This Bill enables more intensive urban forms, while leveraging existing polycentric city modes. Councils will wish to enable greater public transit options between those urban centres.
- 1.5.3 Other central government initiatives, including the Government Policy Statement on Housing and Urban Development, and the Government Policy Statement on Land Transport, also work to reduce urban greenhouse gas emissions. The GPS-HUD aims to make lower-carbon housing options simpler, while the GPS on Land Transport 2021 aims to support a rapid transition to lower carbon transport systems.
- 1.5.4 Plans for congestion charging and transport charging more generally will also substantially affect urban form over the longer term by internalising costs. Public transit options and housing closer to amenities and closer to employment will become relatively more attractive as a consequence. Councils working to meet resident demand for services will seek to accommodate that increase in demand for public transit. And central government initiatives already described will enable a more flexible housing supply response to those changes in demand.
- 1.6 Additional transport and land use policy measures could be undertaken that would enable councils to respond more quickly to the changed policy environment, improve urban form, and make it easier for households and businesses to have a lower carbon footprint. We addressed some of these issues in the Group's first paper on urban land markets.
 - 1.6.1 Flexible zoning options make it easier for households and businesses to make locational choices that best respond to rising carbon prices and to congestion charges. Current policy can make it challenging for people to relocate closer to work or education, though the NPS-UD and the Enabling Housing Supply legislation will ease that constraint. Flexible mixed-use zoning options could further assist.
 - 1.6.2 Policy could also support the establishment of transport corridors that enable the efficient provision of public transport and active mode options. Transport corridor designations then further the government's housing supply agenda while enabling lower carbon footprints.
- 1.7 The Group's first paper also warned that achieving better urban form outcomes does not require a restriction on the location of development. It noted that a well-designed mixed-use transit-oriented development 3km outside the existing urban edge will generate fewer car trips than a poorly-designed infill development 3km inside the urban edge. Further, the first paper noted that enabling development at a city's fringes anchors land prices throughout the urban area, making housing more affordable everywhere – including in the city centre.
- 1.8 The Group's first paper urged that urban policies be aimed at making it easier to choose home locations, work locations, and travel behaviours that require less vehicle travel and vehicle emissions, which would in turn reduce the cost of abating emissions within the ETS. This requires zoning flexible enough to accommodate changes in complex locational preferences.

- 1.9 Moving beyond those measures to explicitly target carbon emissions in urban planning, over and above measures already underway, brings considerable risks. While it is always possible that careful urban planning will address market failures not already covered by the ETS or already addressed by other central government initiatives, it is also possible that planning options encouraged by the Plan will be used for other purposes.
- 1.10 A broad remit to consider emissions reduction in urban planning risks providing councils with new tools to obstruct new housing development. Councils could justify restrictive planning and consenting practices on carbon-mitigation grounds, notwithstanding a lack of compelling evidence for such restrictions. Where the incentives facing councils still lead them to oppose urban growth, providing new tools to stymie housing development has risks. This therefore means that tight guidance and direction is needed for any initiatives that aim to do more than simply respond to existing and expected ETS prices.

2 New tools for protecting the council balance sheet

- 2.1 In our view, councils have historically used restrictive zoning and consenting measures to protect their balance sheets against the perceived costs of urban growth. The Government's urban growth agenda prevents councils using some tools in overly restrictive ways. For example, the NPS-UD requires that more intensive land uses be allowed near transport nodes, and the Enabling Housing Supply legislation would allow slightly more intensive land use more generally.
- 2.2 Where the incentives facing councils to restrict growth have not yet been substantially affected, providing new tools that enable restrictions on urban development, even if they are nominally intended to reduce urban greenhouse gas emissions, could threaten the government's housing supply agenda.
- 2.3 The Plan suggests measures including reduced fossil gas use in buildings, capping the emissions from buildings, investigating and potentially implementing a range of actions to lower emissions from buildings, reducing construction waste, reducing organic waste to landfill, implementing mode-shift transport plans, reducing vehicle-kilometres travelled and more.
- 2.4 The Plan also suggests that "rapid outward growth has led to poorly functioning urban form and higher emissions", and that strategic planning emphasising medium- and high-density development can mitigate emissions. The group notes that outward growth has not been "rapid". Built-up areas (settlements) increased from about 167,000 hectares in 1996 to 196,000 in 2018, which is only 0.73% per annum compound growth, relative to population growth rate of about 1.5% per annum.
- 2.5 Many of the Plan's measures could be warranted in particular circumstances. But they risk being used by councils to restrict development in places where councils are otherwise constrained against blocking new housing development by the NPS-UD and by the Enabling Housing Supply legislation.
- 2.5.1 We have already seen objections to the Enabling Housing Supply legislation based on potential construction waste.
- 2.5.2 Councils could use tight building emission standards not to reduce net emissions, but to increase the costs of development in places where council wishes to restrict development.
- 2.5.3 Good transport planning can reduce vehicle-kilometres travelled. While it is true that dense cities have lower per-person carbon footprints, suburban development – when

planned properly with access to appropriate transport corridors – can also involve relatively low carbon footprints. But reducing vehicle-kilometres travelled could also be used as blanket justification for preventing development at city fringes, or indeed in many locations, driving up the costs of land and undermining housing affordability.

- 2.5.4 Councils could use the Plan to justify more substantial restrictions on suburban development, which would hinder the government’s overall supply agenda not just in preventing some homes from being built at the city fringes, but more substantially in affecting urban land prices across an entire urban area.
- 2.5.4.1 If paddocks at the city’s fringes can become subdivisions with land costs only higher than bare-paddock cost because of the associated infrastructure, land prices elsewhere in the city are anchored by competition from those fringes. REINZ data on rural land prices suggests that farm prices (arable, dairy, livestock) have stayed around \$20k to \$40k per hectare (ie, \$2 to \$4 per m²) the last 15 years, despite interest rate reductions since the GFC. Even if few choose to live at the edges of town, that potential competition helps ensure affordability across the entire city.
- 2.6 We consequently urge caution in measures allowing or requiring councils to target greenhouse gas emissions directly, over and above measures already encouraged or required by existing policy initiatives.
- 2.7 We also urge that use of such measures be accompanied by rigorous assessment of their relative cost-effectiveness. It is eminently possible that some council measures targeting urban greenhouse gas emissions will make it easier for New Zealand to reach Net Zero. But where there is risk that councils use those measures to achieve other ends, cost-effectiveness assessment can help ensure that measures are used appropriately.
- 2.8 If collective public action were to seek to reduce aggregate demand for emissions in order to reduce the government cap, then a cost effectiveness assessment needs to demonstrate the costs of doing so are less than simply reducing the cap and having higher emissions prices. Alternative options, like a carbon dividend, could be assessed and considered. A centre of expertise should prescribe what higher emissions price should be used in such assessments to help prevent non-ETS driven policy responses causing more harm than good. International carbon prices may provide some guidance.
- 2.9 Councils will require guidance and support in setting these assessments; carbon accounting and forecasting is not within the core competences of local councils. Central government can assist. This would also provide oversight ensuring that tools are used appropriately. Such assessment should demonstrate that measures taken will reduce net national emissions, after taking into account other policy measures already in place, including the effects of the Emissions Trading Scheme.