

WELLINGTON CITY COUNCIL SUBMISSION ON BUILDING SUSTAINABLE URBAN COMMUNITIES DISCUSSION DOCUMENT

NOVEMBER 2008

1. Introduction

Wellington City Council ('the Council') welcomes the opportunity to provide feedback on the discussion document entitled '*Building Sustainable Urban Communities – A discussion document exploring place-based approaches to sustainable urban development in New Zealand*'. The issues and approaches discussed in the document are of significant relevance to Wellington City and its future development.

The Council commends the Government on the production of the discussion document. It is a very comprehensive, well-structured and well-presented document that accurately identifies and discusses the key issues and barriers to sustainable urban development in the New Zealand context.

A strong lead from central government is required to support local government in managing urban change processes and implementing sustainable urban development programmes over the long-term. The discussion paper is welcomed as the first step in this process, however it quickly needs to be followed up by concrete steps by Government including adequate funding and mandate to make further progress. A clear political lead will also be required with sufficient mandate to deliver on the coordination within central government that is required to influence future infrastructure investment programmes and to allocate the necessary funding. It is our belief that central government needs to deliver more than just a guiding framework – it needs to take a pro-active role in supporting local government.

The submission outlined below is supportive of the majority of ideas and options outlined in the discussion document. In general, the Council agrees that changes are required to legislation and additional options for governance structures and funding mechanisms in order to achieve the community's goals around sustainable urban development. The discussion document outlines many of the key proposals for achieving this. If implemented, these would be of significant assistance in implementing the urban development vision outlined in the Wellington Regional Strategy and Council's Urban Development Strategy.

The Council does however have some concerns in relation to several of the ideas and options identified for achieving sustainable urban development. These are discussed in more detail in the sections below. The Council recommends that further work is undertaken on these areas to strengthen the approach outlined in the Building Sustainable Urban Communities document.

The Council would welcome the opportunity to work with the Sustainable Urban Development Unit in furthering this work, particularly considering its potential application to place-based projects within Wellington City.

2. Specific comments

The following sections outline the Council's key issues and concerns in relation to the ideas, options and approaches presented in the discussion document.

2.1 Funding

Having access to adequate funding is essential for achieving sustainable urban development. However, funding sustainable urban development is a significant challenge for local government, especially given the current credit crunch and the general affordability issues with rates. The discussion document outlines a range of potential funding mechanisms, including: rates, redirecting existing infrastructure programmes, value uplift levies, development contributions, and debt funding against land assets. Council is of the opinion that these will not be sufficient to achieve the necessary change and to kick-start the desired urban development in Wellington. Council does not own large tracts of developable land. Government does own some areas but these are not extensive.

Value uplift levies are identified as a possible funding mechanism. The Council strongly considers that this option is not appropriate and will not work as there are insufficient margins in many of the areas where such a mechanism would be applied. As such, this new 'tax' would in fact be a significant disincentive to redevelopment. Development contributions are already used in Wellington and could be expanded but again these will not provide sufficient up-front funding and are also constrained by ability-to-pay issues.

Urban redevelopment requires significant upfront funding, not incremental funding as would be delivered through value uplift levies, development contributions, and similar mechanisms. Council strongly believes Government needs to consider providing a competitive funding pool for sustainable urban development projects. Whilst further investigation will be required on how to structure such a funding pool, initial options should include a grant or interest-free loans, on a cost share basis. Similar funding pools have already been established by Government in other areas such as Broadband. A fund of this type would be far more effective in delivering the outcomes being sought as it could be used to fund up-front purchase of land and to kick-start development in key strategic areas.

As with many other territorial authorities and regional councils, Wellington is also under severe pressure to maintain rates increases to an affordable level against a background of above inflation cost increases for developing and maintaining core services. This is of even greater concern in the context of the current economic downturn and credit crunch. Council work programmes and

planned expenditure are being comprehensively reviewed in light of these issues – this includes implementation of the Council’s growth node planning (e.g. Johnsonville town centre and Adelaide Road). Where possible, major capital works may be delayed (up to 5 – 10 years in some cases) until they are more affordable. Logically, it is during an economic downturn and when the property market is falling, that action to stimulate the economy is most needed and when action such as land assembly can be achieved most cost-effectively. A Government fund would provide the necessary backing to local government to enable them to take positive action at this time to leverage opportunities and maximise value.

Most of the Australian models referred to in the discussion document relied upon an up-front injection of funding and/or significant land assets from the relevant state government. These are often in the form of an interest-free loan, repaid at the end of the development period or as returns from development are made possible. The example of local Development Area Agreements in the UK only work because they are explicitly related to the provision of direct central government funding to local government.

2.2 Improving co-ordination and integration

Section 4 of the discussion document identifies improving coordination and integration across national, regional and local planning systems as a way of delivering sustainable urban development. This is strongly supported, however how this coordination and integration is actually achieved is critical. One of the key issues is how to better coordinate urban infrastructure investment programmes across different government levels. A key difficulty in doing this is the multiple timelines, planning horizons and investment programmes of each central government agency and local/regional government.

The Council recommends the following two-pronged approach is adopted for improving coordination and integration:

- During the short-term (i.e. over the next 1-3 years) it is recommended that a dedicated sustainable urban development team is established at the central government level (supported by a Minister/Ministerial portfolio) with the key role of coordinating activities, actions and investment across government portfolios. The role of this team needs to go beyond providing just advice and support and have sufficient mandate to facilitate changes to departmental programmes.
- Long-term the Council would like to see a move to a more systematic process where central government agencies are required to prepare ten year investment programs. These documents would need to align with local government LTCCPs and regional strategies. To make this a reality would require close cooperation between all levels of government in the preparation of regional strategies and for Government to target infrastructure investment programmes towards the emerging priorities of that process.

2.3 The role of government in urban development

One of the significant barriers identified in the discussion document is the lack of capacity and capability in all levels of government and the private sector, to deliver sustainable urban development. Setting up new institutional arrangements and urban development agencies is only possible with skilled people to drive/operate them – and the public sector in New Zealand has a severe shortage of these skills. Resources need to be allocated to enhancing skill levels and training of the required professionals, particularly in the areas of development facilitation and development economics. Government needs to take a lead role in making this happen, whilst working alongside local government and seeking assistance.

The discussion document highlights the UK's Commission for Architecture and the Built Environment (CABE), the Advisory Team for Large Applications (ATLAS), and the Major Cities Unit in the UK and Australia as examples of initiatives aimed at increasing capability and capacity, and sharing information, experience and advice. These types of initiatives are essential to ensuring more consistent and better quality policy and better built environment outcomes. The Council considers Government funding of similar initiatives for New Zealand is essential to support the objectives of the sustainable urban development approach. The Foundation of Research, Science and Technology's various funding pools provide the appropriate vehicle to make this happen.

In combination with these initiatives, the Council would like to see best practice guidance developed jointly by central and local government in a number of areas specifically relevant to sustainable urban development areas including:

- Effective ways of working with communities
- Working with developers
- Incentivising best practice
- Development economics.

Other initiatives such as the adoption of a more explicit urban development policy at the national level to raise the profile of urban issues and to encourage a whole-of-government approach, and the development of a National Policy Statement on Urban Design, are also very strongly supported.

Another of the barriers identified is the need to catalyse private sector investment by demonstrating innovative ways of developing land and buildings. The Council believes that another key role for central and local government (in partnership with the private sector) is in setting up demonstration schemes within sustainable urban development areas. This is important in achieving change on the ground, and in raising quality standards, especially where policy is seeking to alter the direction of the current market. It is also important in getting long-term community buy-in to intensification and major urban change.

2.4 Land assembly and legislative obstacles

The discussion document clearly identifies the significant challenges and barriers faced by local government in terms of assembling the necessary land for large-scale urban development. This is one of the most significant barriers we face. Issues include difficulties in obtaining the necessary funding for land purchase (refer point 2.1 above), the difficulty of getting cooperation and buy-in by landowners, the uncertainties, risks and costs around the compulsory acquisition of land, and the long timeframes for making progress.

Experience clearly indicates that ownership or control of land is critical to achieving any long-term development vision. In Wellington there is insufficient Council-owned land to provide realistic opportunities for large-scale urban redevelopment. There may be some opportunities in terms of Government-owned land, but again these are quite limited. The discussion document suggests that private landowners would be required to work together to achieve the necessary outcomes. Whilst this may be possible where land is held in large parcels by private developers and those with an active interest in change – in most cases in Wellington this is not the case and land is held by individuals in small parcels. It is Council's view that this is unlikely to produce the necessary outcomes. Instead we believe that at least some land must be purchased and amalgamated by the public sector to achieve the necessary change – this will require significant up-front funding (refer to the comments in point 2.1 above).

The discussion document proposes a number of potential ideas and options for addressing land assembly issues and planning/legislative barriers, which are discussed below. However, it should also be noted that in recognition of these issues, the Council has recently set up a special project team to investigate and report back on the opportunities and potential roles for the Council in more active development facilitation.

Legislative considerations

We note that the discussion document suggests the creation of enabling legislation to address land assembly issues. Enabling legislation could assist in bringing together the many disparate pieces of legislation affecting sustainable urban development e.g. the Public Works Act, RMA, LGA and Land Transport Management Act.

The discussion document also identifies a number of legislative barriers under the current relevant legislation to implementing large-scale urban development projects. The document suggests several ideas for remedying these, including amending key provisions and streamlining planning processes in for example the Public Works Act, Resource Management Act and Local Government Act. The Council supports reviewing the current relevant legislative provisions with the aim of helping to reduce the barriers and obstacles to sustainable urban development projects.

In terms of any legislative amendments, the Council considers it important for these to address two significant and quite different scales of urban development projects, that is:

- a) **Large urban regeneration areas** e.g. the Tank Farm in Auckland City, Wellington's rail and port land – sites already in public ownership or if not, with only a few landowners, and capable of wholesale urban redevelopment. There are however only a limited number of examples in New Zealand; and
- b) **City fringe/suburban growth area redevelopment projects** e.g. Johnsonville town centre and Adelaide Road – these sites are characterised by fragmented/multiple land ownership and landuses. There are many examples of these across New Zealand. These areas have real potential to transform cities, but development visions are also much harder to realise due to their complex nature. The discussion document appears to focus on large site developments rather than these more common city fringe/suburban growth area projects.

2.5 The delivery vehicle

In terms of the 'vehicle' to deliver sustainable urban development, the discussion document appears to recommend the use of Council Controlled Organisations established under the Local Government Act. The Council is of a view that a more issue-specific vehicle would be beneficial (i.e. a special-purpose company that deals specifically with urban redevelopment/regeneration). For example, the UK has through legislation established urban regeneration companies – these agencies are essentially joint ventures between central and local government, with a clear mandate, high visibility and status, and clear backing from central government. This is critical to achieving buy-in from the private sector. The Council would like more detailed investigation of urban regeneration companies as an option.

2.6 Other comments

One of the barriers not discussed in any depth is the need for political will at all levels and the need for the public sector to accept additional risk in pursuing major urban redevelopment outcomes. Whilst the discussion document outlines a range of proposals for utilising existing or slightly amended agencies to deliver sustainable urban development, in New Zealand there is a strong culture of risk-averse decision-making in both local and central government, especially where there is a strong likelihood of public disquiet about a set of proposals. A pro-active communications strategy, backed by a strong Ministerial mandate will be necessary to overcome this barrier and provide strong leadership in managing any new set of tools and outcomes.