

# A Section 32 submission

Submission 211: Graham Spargo

Opportunity exists for Commissioners to receive more *meaningful, coordinated and considered*\* evidence and justification regarding urban intensification choices

I encourage commissioners to focus on what acting in *good faith* looks like in terms of *enabling people and communities (current and future) to meet their social and economic needs*



# Wellington City Proposed District Plan

## Hearing Stream 1 – Part 1, plan wide matters and strategic direction

### Section 42A of the Resource Management Act 1991

837. I note that the MDRS are now being implemented in the plan and has the effect of becoming a new permitted baseline for density rather than a meaningful, coordinated and considered contributor to urban intensified as envisaged by CC-O2.

CC-O1	Wellington City continues to be the primary economic and employment hub for the region.
CC-O2	<p>Wellington City is a well-functioning Capital City where:</p> <ol style="list-style-type: none"><li data-bbox="721 739 2130 815">1. A wide range of activities that have local, regional and national significance are able to establish and thrive;</li><li data-bbox="721 853 2091 939">2. The social, cultural <u>and</u> economic <del>and environmental</del> wellbeing of current and future residents, <u>and the environment</u> is supported;</li><li data-bbox="721 978 2066 1015">3. Mana whenua values and aspirations become an integral part of the City's identity;</li><li data-bbox="721 1053 2160 1129">4. Urban intensification is delivered in appropriate locations and in a manner that meets the needs of current and future generations;</li><li data-bbox="721 1168 2150 1286">5. Innovation and technology advances that support the social, cultural, <u>and</u> economic <del>and environmental</del> wellbeing of existing and future residents <u>and supports the environment are-is</u> promoted; and</li><li data-bbox="721 1325 2125 1400">6. Values and characteristics that are an important part of the City's identity and sense of place are identified and protected.</li></ol>



## RMA

**sustainable management** means managing the use, development, and protection of natural and physical resources in a way, or at a rate, which **enables people and communities to provide for their social, economic, and cultural well-being** and for their health and safety while—

(a) sustaining the potential of natural and physical resources (excluding minerals) to meet the reasonably foreseeable needs of future generations;

### 10 Purpose of local government

(1) The purpose of local government is—

(a) to enable democratic local decision-making and action by, and on behalf of, communities; and

(b) **to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.**

### 11 Role of local authority

The role of a local authority is to—

(a) give effect, in relation to its district or region, to the purpose of local government stated in [section 10](#); and

(b) perform the duties, and exercise the rights, conferred on it by or under this Act and any other enactment.

### 14 Principles relating to local authorities

(1) **In performing its role**, a local authority **must act in accordance** with the following principles:

(h) in taking a sustainable development approach, a local authority should take into account—

(i) **the social, economic, and cultural well-being of people and communities**; and

(ii) the need to maintain and enhance the quality of the environment; and

(iii) **the reasonably foreseeable needs** of future generations.



# ...two wrongs don't make a right...

**Yes** there is a housing supply and affordability crisis...

**however** the supply lever pulled (density everywhere) to 'fix it' has high potential to create as much harm as good.

Despite Central Government having legislated to 'make more urban density happen' there remain obligations (Local Government Act and RMA) to act with *due care* and *in good faith* to the interests of *current* as well as future generations / residents.

An entirely foreseeable 'harm' to some existing residents is occurring influenced by Council decision-making on the PDP.



**CoreLogic says two-thirds of Wellington houses bought at market peak now in negative equity**

# Region hard hit by price drops



## Property

**Tom Hunt**

tom.hunt@stuff.co.nz

and the fact that Wellington house prices had been rising faster than other areas before the pandemic.

Roughly 91.8% of Upper Hutt homes – about 45 properties – bought in late 2021 were now in negative equity and, if values fell another 10%, nearly all would be.

Lower Hutt had 88.5% of houses bought at the market peak on negative equity – that equated to 140 homes. Porirua had 56.5%, about 40 homes, and Wellington City 48.6%, or 120 houses.

New Trade Me data has the Wellington region asking prices dropping 9% year-on-year while Real Estate Institute figures out this week showed the capital with the biggest price drop nationally.

The Wellington region was down 20.2%, while Upper Hutt was down 24.5% and Wellington

*“Increasing interest rates will continue to impact the residential property market, with those who purchased around the peak of the market in 2021 most likely to bear the brunt of that.”*

**David Nagel, Quotable Value chief operating officer**

city had dropped by 24.2%. That means all of Wellington has lost one-fifth of its house value in the past year, while it was closer to one-quarter in Upper Hutt and Wellington city.

The high rates of negative equity come at a time of strained economic times for many.

Soaring interest rates this week had Westpac Bank senior

households. Banks had said they would work with customers wanting to extend loans despite being in negative equity but this could be a coming problem if that changed, Ranchhod said.

The chief operating officer of valuation and property services company Quotable Value (QV), David Nagel, warned the market had not bottomed out yet, especially if a predicted recession came and unemployment climbed as a result. “Increasing interest rates will continue to impact the residential property market, with those who purchased around the peak of the market in 2021 most likely to bear the brunt of that,” he said. QV data covering the 2022 calendar year had Wellington house values dropping by 18.6%, again making for the biggest fall in the country.

economist Satish Ranchhod picking that more households would be put under intense pressure this year as many locked-in interest rates expired and people had to pay higher mortgage rates.

Increasing prices for basics such as food – which jumped 11.3% last year in the biggest annual increase since April 1990 – are also putting pressure on

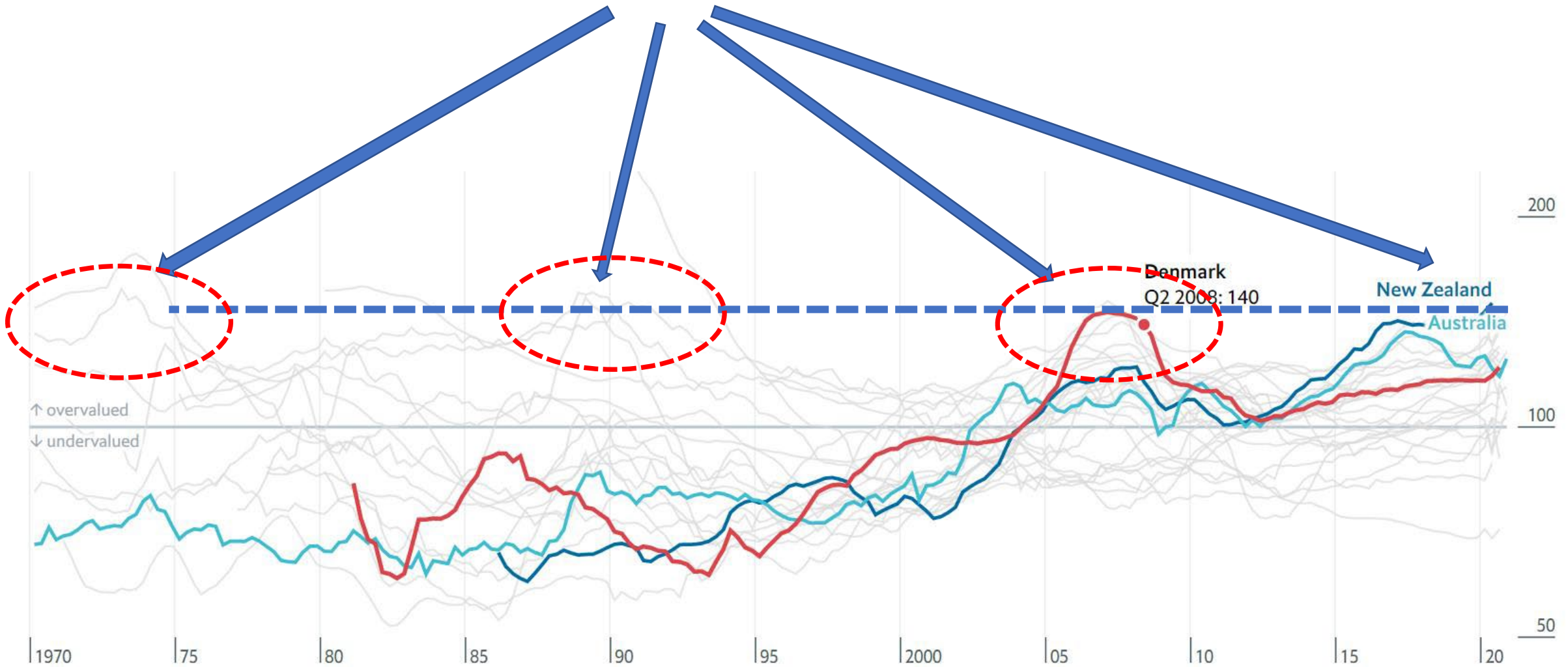
Two-thirds of homes in the Wellington region bought at the market peak in late 2021 are now in negative equity, according to property research firm CoreLogic. That equates to almost 350 houses across the region.

Nationwide, 11.6% of people who bought a house at the market peak in late 2021 were now in negative equity – roughly 720 houses which have a value of less than the amount owed on it.

CoreLogic head of research Nick Goodall, whose company compiled the figures, said Wellington was hard hit due to a lot of development – particularly in the Hutt Valley – increasing demand



Very high house price to income levels have happened before... and corrected...just different countries each time



HOUSE-PRICE INDEX IN  
real prices | nominal prices

HOUSE PRICES AGAINST  
income | rent



# Medium Density Residential Standards

## Departmental Disclosure Statement provided with the Bill

At part 2.5 the extent to which any group of persons may be disproportionately impacted has not been analyzed.

Reports used to justify the Bill only average and aggregate impacts. Some homeowners due to financial or personal circumstances will be significantly advantaged which others will be significantly negatively impacted.

### Significant decision-making powers

4.6. Does this Bill create or amend a decision-making power to make a determination about a person's rights, obligations, or interests protected or recognised by law, and that could have a significant impact on those rights, obligations, or interests?	NO
---	----

Particularly concerning is Part 4.6 which is just plain wrong in saying "No".

The Bill does amend decision-making powers through arbitrarily removing existing District Plan related rights to hearings and appeal rights in ways that that will have a significant impact.

2.5. For the policy to be given effect by this Bill, is there analysis available on:	
(a) the size of the potential costs and benefits?	YES
(b) the potential for any group of persons to suffer a substantial unavoidable loss of income or wealth?	NO
The cost benefit analysis (CBA) for the NPS-UD outlined expected costs and benefits from its implementation. The ISPP is expected to bring these benefits forward in time, but not alter them significantly. The CBA can be found at: <a href="https://environment.govt.nz/publications/cost-benefit-analysis-on-the-national-policy-statement-for-urban-development/">https://environment.govt.nz/publications/cost-benefit-analysis-on-the-national-policy-statement-for-urban-development/</a>	
The RIS outlines the various ways that existing literature and analyses have informed the Ministry for the Environment and Ministry of Housing and Urban Development's analysis of the likely effect of the MDRS.	

### External consultation

3.6. Has there been any external consultation on the policy to be given effect by this Bill, or on a draft of this Bill?	NO
There has been no consultation with external stakeholders on the Bill.	

### Other testing of proposals

3.7. Have the policy details to be given effect by this Bill been otherwise tested or assessed in any way to ensure the Bill's provisions are workable and complete?	NO
--	----



From PWC report justifying why the 3 storeys / 50% everywhere is a 'good thing'

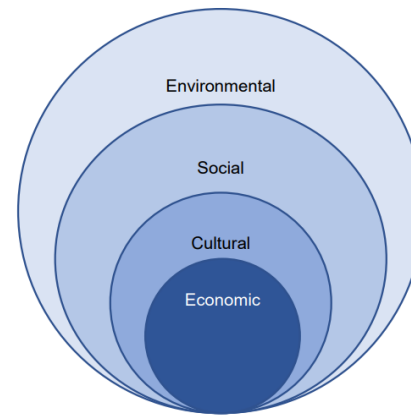
[MDRS.pdf \(hud.govt.nz\)](https://www.hud.govt.nz/mdrs.pdf)

## 9. Environmental impacts

### 9.1. Approach

Social externalities associated with extra development span not just economic costs but in principle include cultural, social, and environmental costs.

**Figure 53: In principle, benefits and costs include social, cultural and environmental factors**



Source: Authors

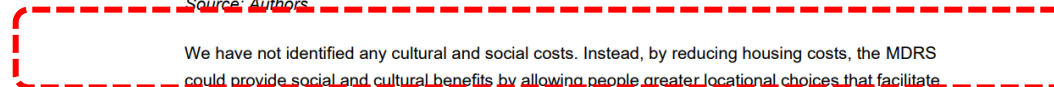
We have not identified any cultural and social costs. Instead, by reducing housing costs, the MDRS could provide social and cultural benefits by allowing people greater locational choices that facilitate living closer to family and whānau. These benefits should be studied but are not modelled here.

To estimate the environmental costs of the MDRS, not directly borne by added households, we use the estimates provided by MR Cagney et al. 2016 for the NPS-UDC. These estimates were also used by PwC 2020 for the cost benefit analysis of the NPS-UD. We keep our estimates in line with these previous studies, at least partly to preserve comparability across these previous studies.

### 9.2. Impacts

Previous studies identify 4 key possible environmental impacts:

- Loss of peri-urban land - de Development at the fringe of the city may reduce city residents' amenity by reducing the availability / accessibility of peri-urban open space
- Air quality - intensification can result in higher levels of pollution that can impact on health
- Freshwater quality – can be impacted by stormwater run-off, higher stream temperatures and solid waste from plastic and heavy metals
- Coastal water quality – stormwater run-off can also affect coastal areas.



No social costs on households 'caught out' in the transition?  
No risks of civil unrest?

People who checked all the rules before buying, now have had these arbitrarily removed with no real chance of input.

Sun blocked, views gone, privacy gone – and with no rights to contest or push back?

How do they come out 'whole' financially? What happens next if they can't?





RBNZ research shows higher population growth & larger drops in mortgage rates in NZ than most comparable countries, and the biggest rise in house prices

[NZ house market: High population growth + big mortgage falls = rapid house price rises | interest.co.nz](https://www.interest.co.nz/news/123456/nz-house-market-high-population-growth-big-mortgage-falls-rapid-house-price-rises)

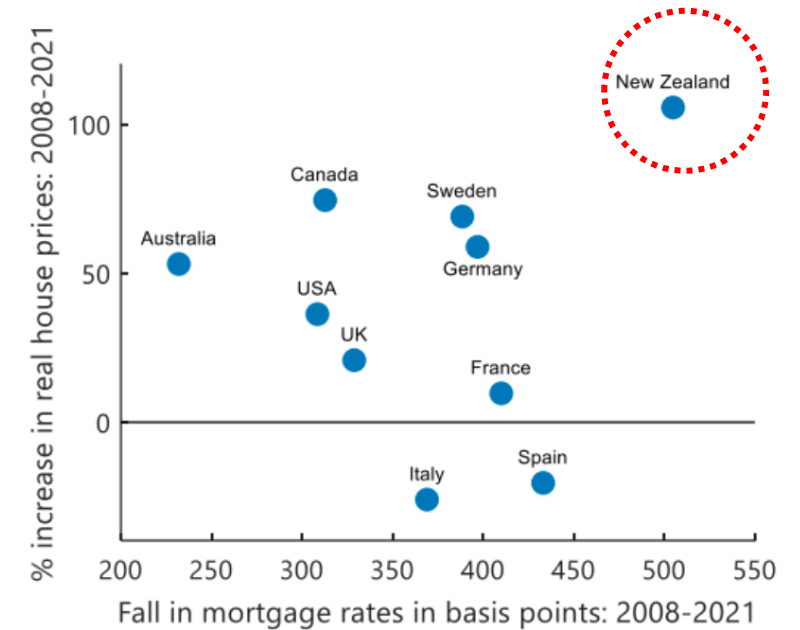
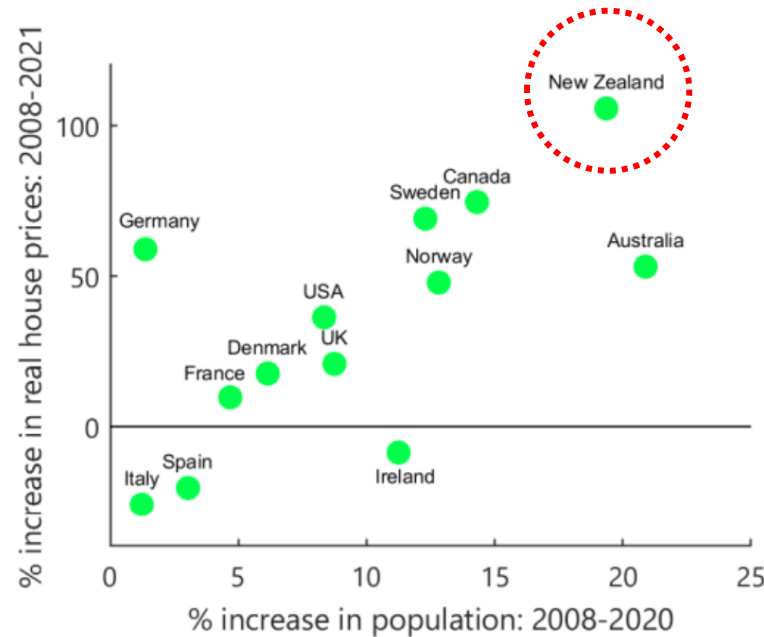


1st Jul 22, 8:03am by David Hargreaves

## Low interest rates more influential on house prices than supply or migration

<https://www.westpac.co.nz/rednews/low-interest-rates-more-influential-on-house-prices-than-supply-or-migration/>

Population, mortgage rates and house prices since 2008



"Two key messages emerge from the figure," the report authors say.

"Firstly, it suggests that house price increases after the GFC correlate stronger with population increases across countries while the corresponding correlation with declines in mortgage rates is weaker.

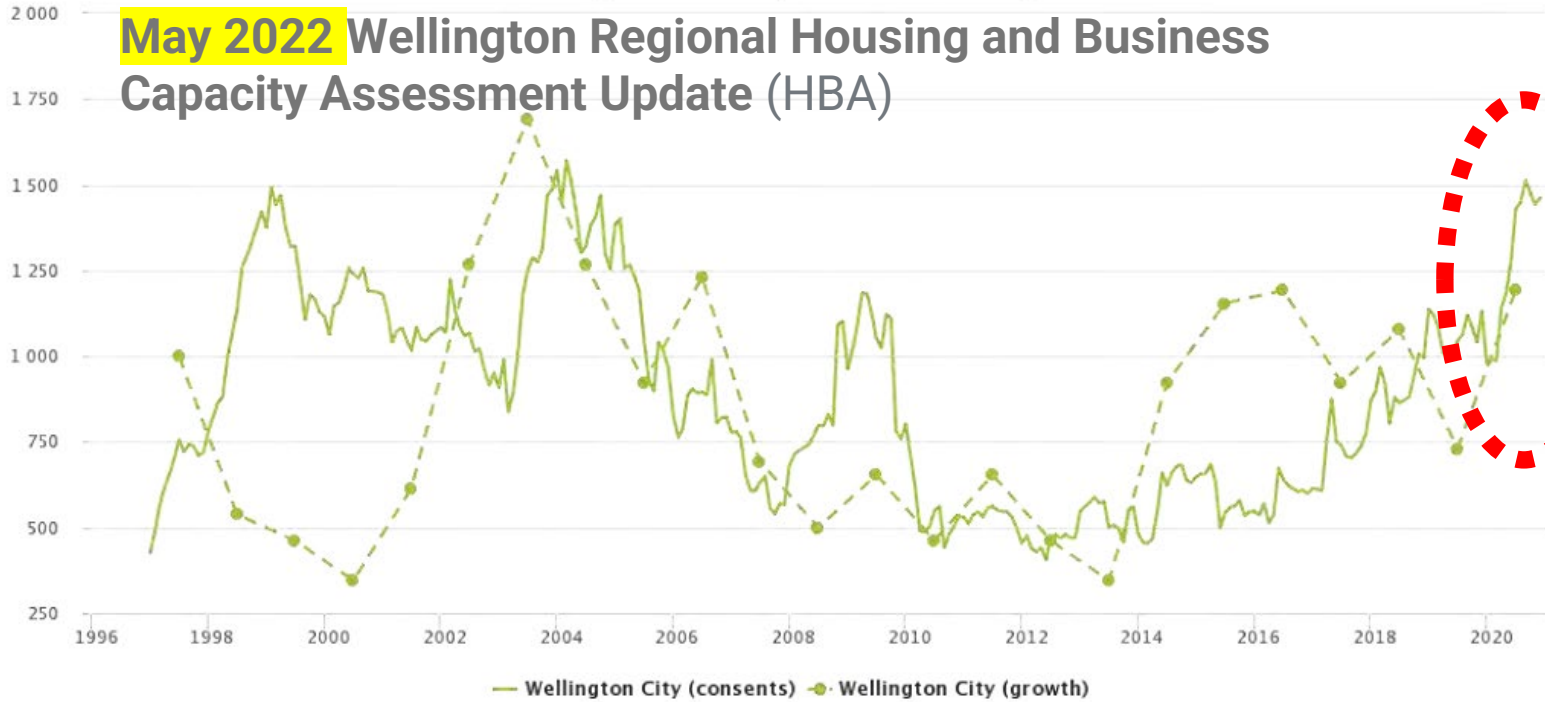
"Secondly, not merely has New Zealand experienced the strongest house price increase since the GFC, it has also been accompanied by almost the steepest increase in population and the strongest decline in mortgage rates across our sample economies."



# Section 42a Report Justifications

New dwelling consents compared to household growth

May 2022 Wellington Regional Housing and Business Capacity Assessment Update (HBA)



Same graph with 2023 figures

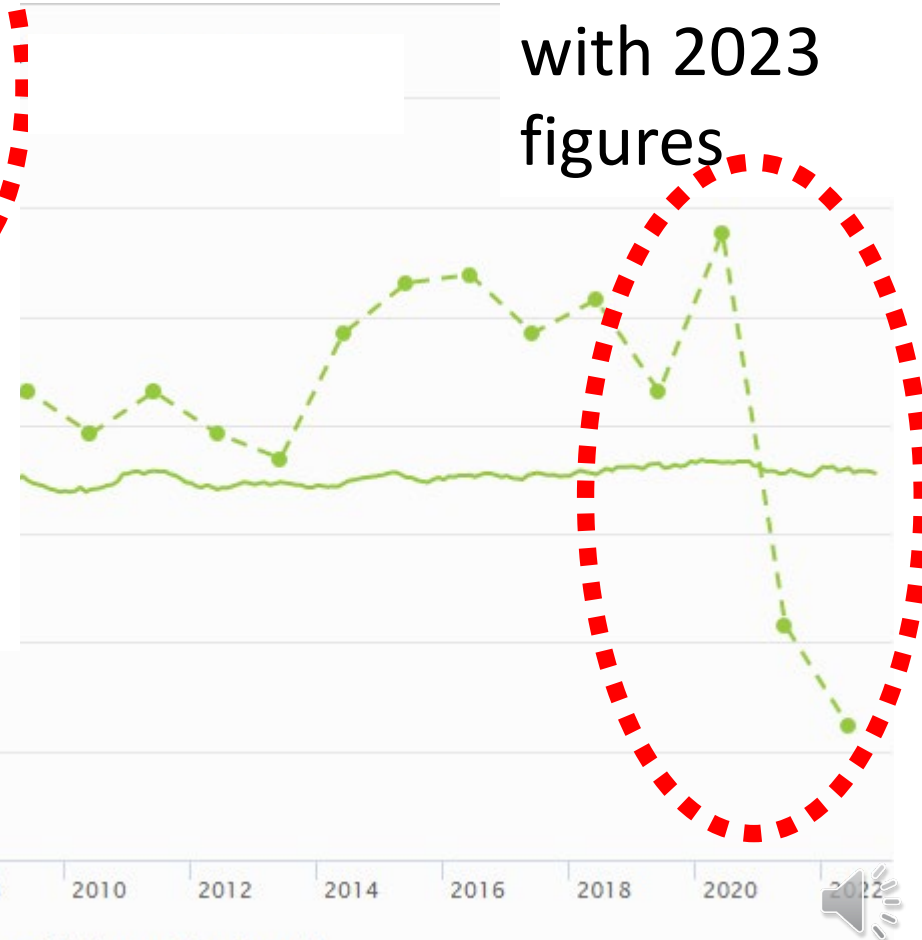


Figure 2.9. New dwelling consents and household growth. Source: MHUD.



# Section 42a Report Justification

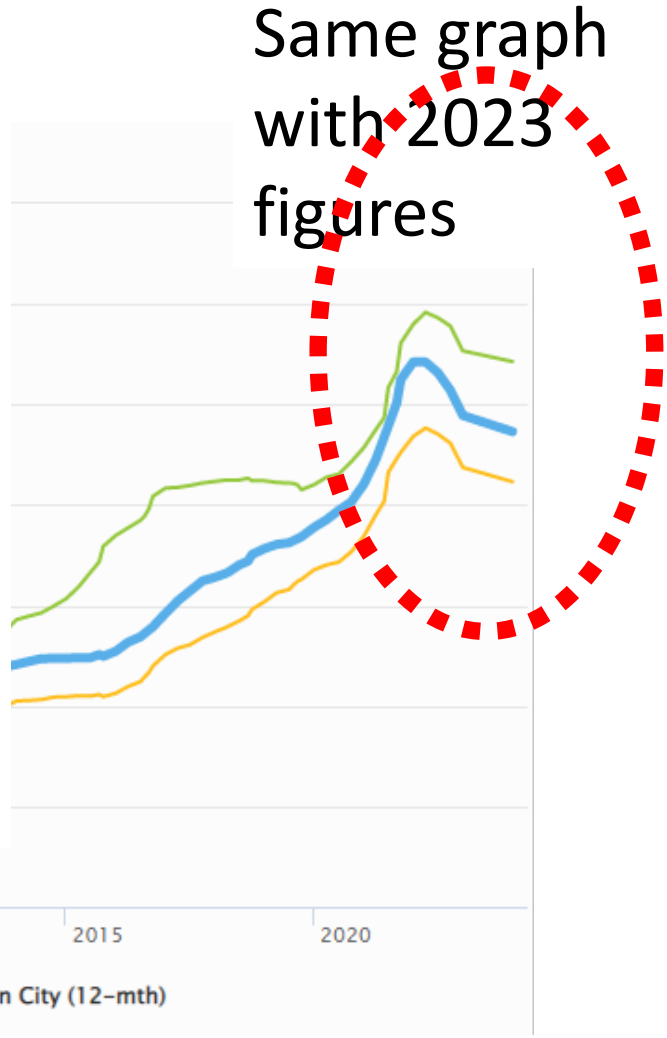
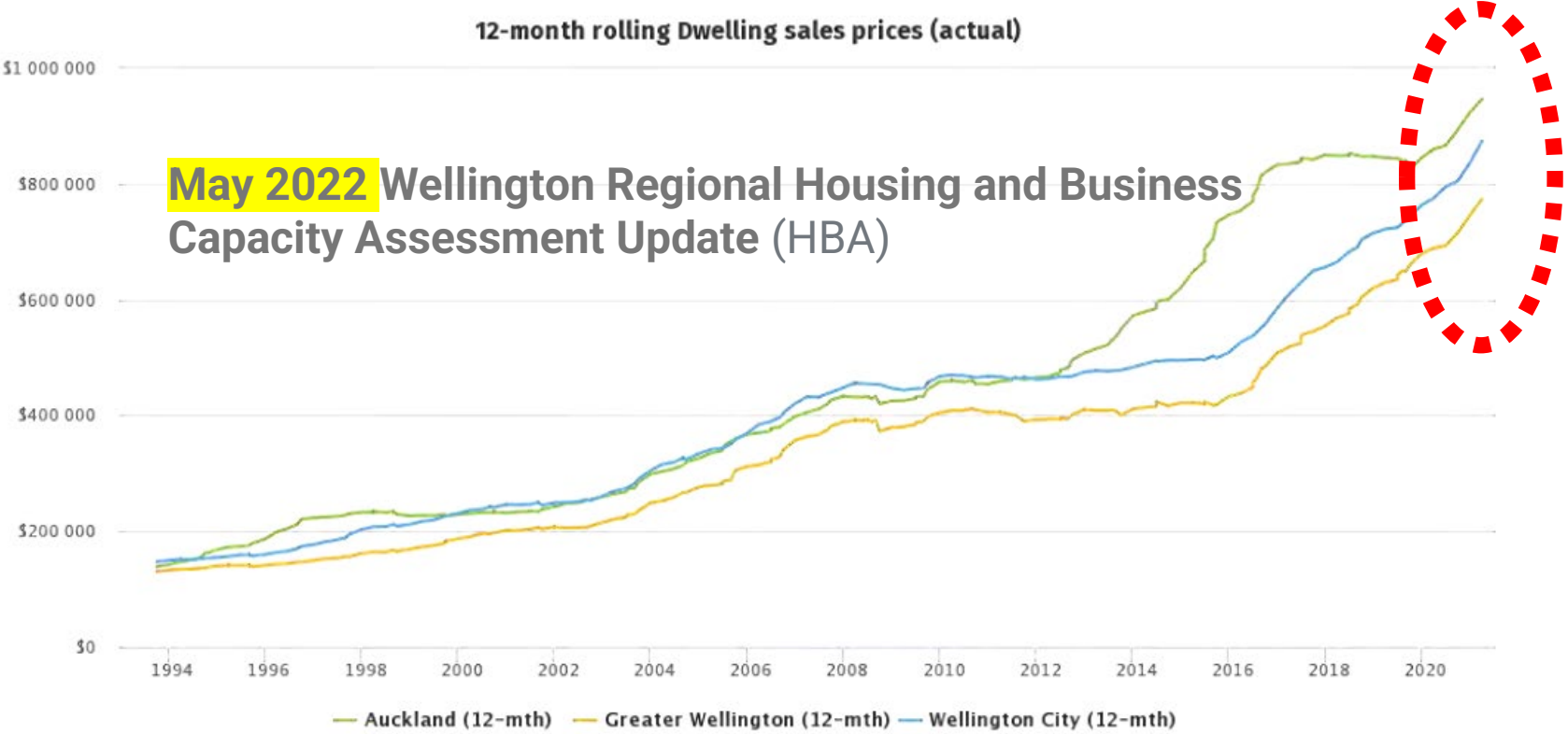


Figure 2.1. Median residential dwelling sale price for Wellington City, Greater Wellington, and Auckland. Source: MHUD.

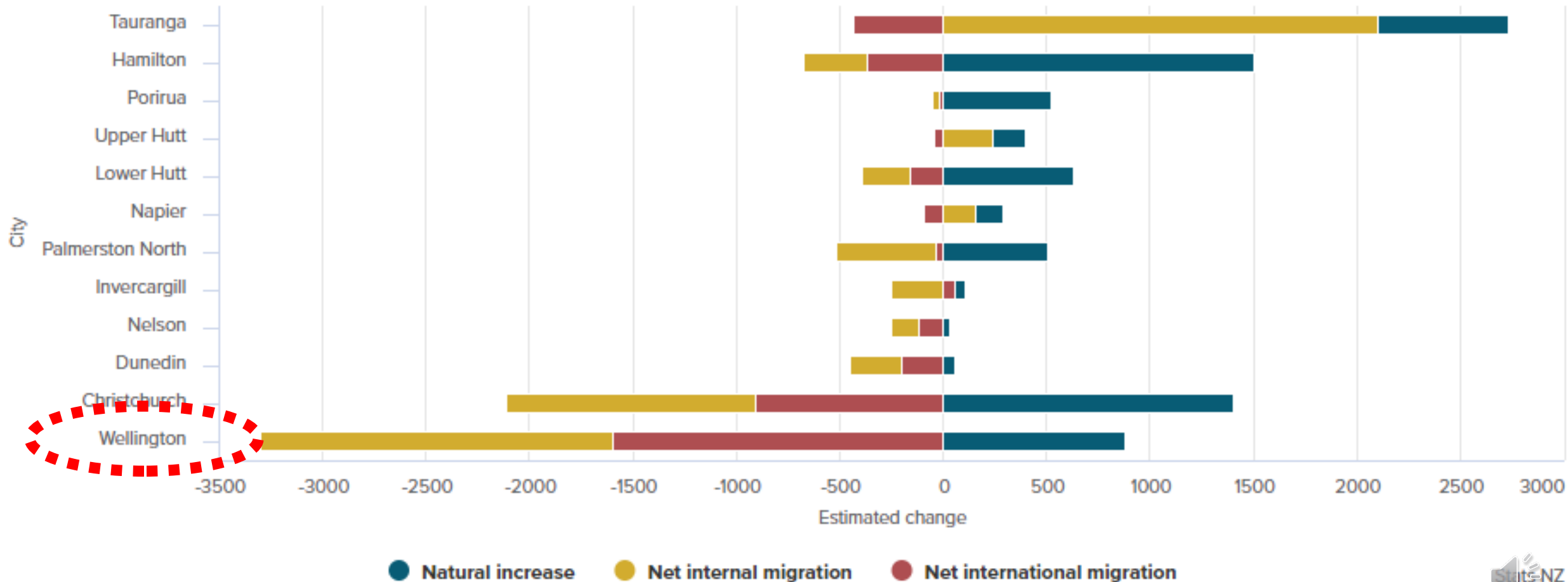


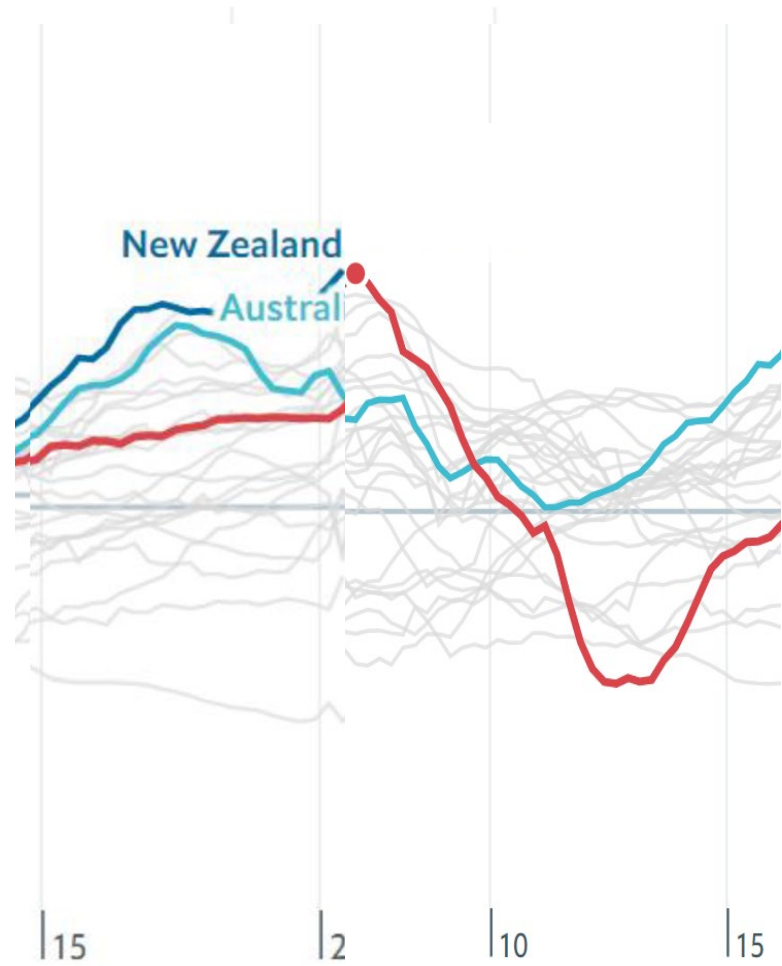
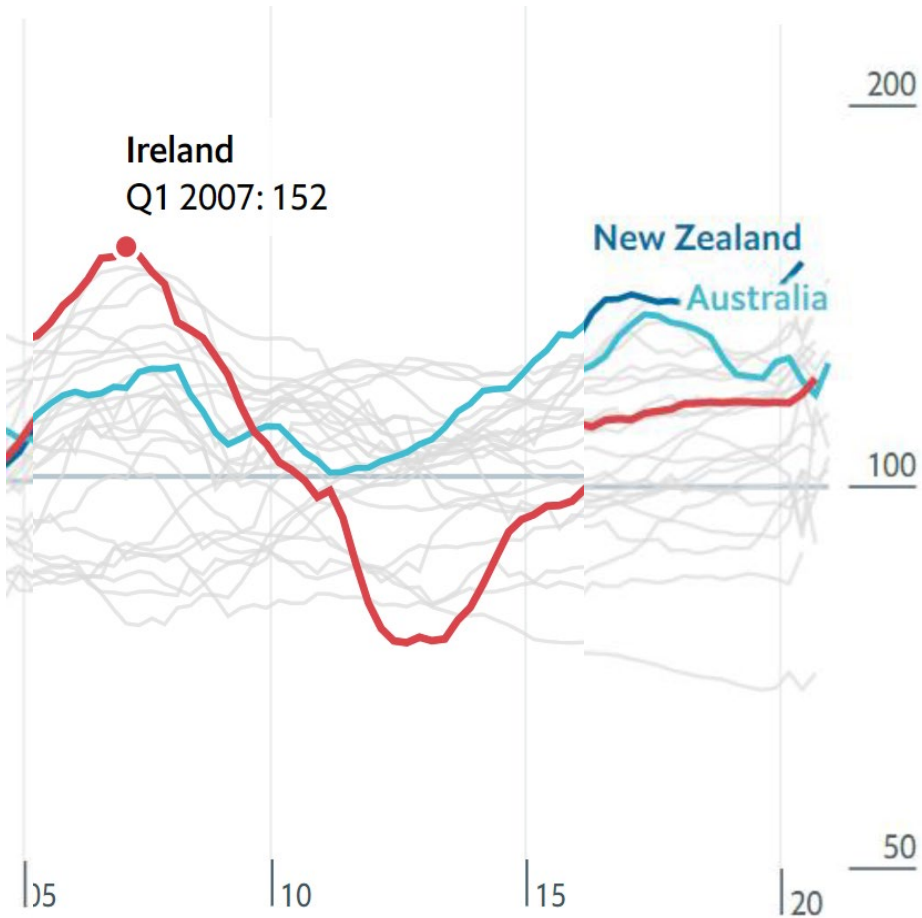
# Section 42a Report Justification

## Population decline?

<https://www.stats.govt.nz/information-releases/subnational-population-estimates-at-30-june-2022-provisional/>

Estimated population change by component and city (excluding Auckland), year ended June 2022 (provisional)





HOUSE PRICES AGAINST

income rent

\*Disposable income per person



PDP examples of the quantum of the problem sought to be resolved

In 2018, 1,254 Wellingtonians were severely housing deprived (homeless).  
In 2021, there were 846 households on the public housing register (waitlist)  
There are 531 applicants on the Council's housing waitlist.

# Region hard hit

 **Property**  
**Tom Hunt**  
tom.hunt@stuff.co.nz

Two-thirds of homes in the Wellington region bought at the market peak in late 2021 are now in negative equity, according to property research firm CoreLogic. That equates to almost 350 houses across the region.

Nationwide, 11.6% of people who bought a house at the market peak in late 2021 were now in negative equity – roughly 720 houses which have a value of less than the amount owed on it.

CoreLogic head of research Nick Goodall, whose company compiled the figures, said Wellington was hard hit due to a lot of development – particularly in the Hutt Valley – increasing demand

and the fact that Wellington house prices had been rising faster than other areas before the pandemic.

Roughly 91.8% of Hutt homes – about 47 properties – bought in late 2021 were now in negative equity. If values fell another 10%, nearly all would be.

Lower Hutt had 88.5% of houses bought at market peak on negative equity, that equated to 140 homes. Porirua had 56.5%, about 40 homes, and Wellington City 48.6% or 120 houses.

New Trade Me data has the Wellington region asking prices dropping 9% year-on-year while Real Estate Institute figures out this week showed the capital with the biggest price drop nationally.

The Wellington region was down 20.2%, while Upper Hutt was down 24.5% and Wellington

*What contribution is the PDP making by flooding the market with development rights?*

*Do you understand the trade-offs?*

*If say 200 households (500 people) to be at zero equity? Along with 1000s? under financial stress (due to being under Bank minimum deposit levels)?*

*Where is assessment of potential impacts on current residents in 1, 3 or 5 years time?*



# With gaps in PDP s32 assessment how do you show you've acted in good faith and that CC-02.2 demonstrated?

CC-01	Wellington City continues to be the primary economic and employment hub for the region.
CC-02	<p>Wellington City is a well-functioning Capital City where:</p> <ol style="list-style-type: none"><li data-bbox="695 625 2099 696">1. A wide range of activities that have local, regional and national significance are able to establish and thrive;</li><li data-bbox="695 743 2066 815">2. The social, cultural <u>and</u> economic <del>and environmental</del> wellbeing of current and future residents, <u>and the environment</u> is supported;</li><li data-bbox="695 862 2040 901">3. Mana whenua values and aspirations become an integral part of the City's identity;</li><li data-bbox="695 948 2135 1019">4. Urban intensification is delivered in appropriate locations and in a manner that meets the needs of current and future generations;</li><li data-bbox="695 1066 2125 1172">5. Innovation and technology advances that support the social, cultural, <u>and</u> economic <del>and environmental</del> wellbeing of existing and future residents <u>and supports the environment are-is</u> promoted; and</li><li data-bbox="695 1219 2099 1290">6. Values and characteristics that are an important part of the City's identity and sense of place are identified and protected.</li></ol>

