



**Registered Master Builders Association
of New Zealand Incorporated**

Submission

**on the Resource Management (Enabling
Housing Supply and Other Matters)
Amendment Bill**

16 November 2021

The Registered Master Builders Association submission on the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill

The Registered Master Builders Association (*RMBA*) welcomes the opportunity to provide this submission on the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill (the Bill).

About RMBA

The RMBA represents over 3,000 commercial and residential builders and are the leading sector advocates on the built environment. Our sector is a key contributor to the New Zealand economy, with every \$1 million spent on house building supporting \$2.6 million across the wider economy.

We are working hard to lead the change our sector needs. Ensuring we have the regulatory systems and processes which will enable us to build faster and better. We are supporting our members to grow their capability and business acumen to ensure a strong and healthy sector; to innovate and make the most of new technologies so we meet the climate change challenge; and to attract, train and retain skilled talent. We are proud to be New Zealand's best builders.

At Master Builders we are committed to transforming the sector and rebuilding our economy. We are focused on building better homes, communities and workplaces, and ultimately better lives for all New Zealanders. We are building a better New Zealand.

Summary of the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill

The Bill, which amends the Resource Management Act 1991 (the RMA), seeks to rapidly accelerate the supply of housing where the demand for housing is high. This will help to address some of the issues with housing choice and affordability that Aotearoa New Zealand currently faces in its largest cities.

This Bill requires territorial authorities in Aotearoa New Zealand's major cities to set more permissive land use regulations that will enable greater intensification in urban areas by bringing forward and strengthening the National Policy Statement on Urban Development (the NPS-UD).

Medium density residential standards (MDRS)

The MDRS will enable 3 storeys and 3 dwellings per site as of right. This means that developments of 3 storeys and 3 dwellings per site will be permitted activities in the RMA plans of territorial authorities, removing the need for a resource consent. The MDRS will also enable—

- more flexible height in relation to boundary standards to enable 3 storeys on average-sized sites:
- smaller private outlook spaces (space between windows and other buildings) and private outdoor living spaces (for example, balconies):
- reduced side yard setbacks to allow development closer to side boundaries:
- more resource consents (when needed) to proceed on a non-notified basis.

The MDRS will be applied by tier 1 territorial authorities. Tier 1 urban environments are Auckland, Hamilton, Tauranga, Wellington, and Christchurch. There are 14 tier 1 territorial authorities that are responsible for all or part of those tier 1 urban environments.

RMBA's position on the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill

Overarching view

Registered Master Builders supports and encourages legislation reform that increases New Zealand's supply of quality, sustainable and affordable housing. New Zealand is currently facing a housing crisis, with inter-generational inequity in housing opportunity growing due to the shortage of homes to meet current demand. With New Zealand's population expected to reach 6 million by 2050, and half of all population growth to be in Auckland specifically, New Zealand, including its construction industry, has a significant task on its hands to provide the enough of the right homes and infrastructure.

RMBA is of the view that there some aspects of the proposed in the Bill that could impact the industry in a significant way and need further reflection.

Summary of concerns:

Design

Homes need to be designed to last and be durable to avoid further housing quality and supply issues in the future. Amendments to the RMA need to be sound, and not create potential flow on effects to the housing supply in the longer term.

Quality

Homes built under the medium density housing framework need to be of sufficient quality. This includes meeting appropriate environment impact minimisation and sustainability requirements. New Zealand's homes need to be warm, dry, and safe to live in, so New Zealanders both want to live in them, and remain healthy when they do so.

Infrastructure

Resulting medium density housing areas, especially in the outskirts of Tier 1 areas, need to be sufficiently supplemented with appropriate infrastructure. RMBA is of the view that housing areas that are not well supported with accessible and sufficient public facilities and transport become isolated communities. This is not a desirable future.

Lack of infrastructure also has a material impact on the livability of the proposed housing in the medium density homes. If I am unable to travel to and from my place of work, or easily access essential services such as the doctor, pharmacy and supermarkets, then it is unlikely I am going to find these types of areas as places I can reasonably live.

The infrastructure development has to go hand in hand with the housing development, and support will be needed from the relevant territorial authority in ensuring that a lack in infrastructure does not enable resource consents on this basis holding up development. An example is housing being held up due to not being able to access sewage systems, so is declined resource consent on this basis. It will be important that the intent of the Bill is not overridden or frustrated during the implementation phase because of issues with infrastructure.

Affordability and Ease of Building

The Bill does not address affordability, the omission of which creates some risk. It can seem obvious that by increasing house supply, homes will become affordable – supply outstrips demand. However, affordability issues are more complex than simple tweaks to supply and demand. The building of

homes often depends on market factors such as cost of supplies, labour availability and size of project. These are not influenced by the number of homes available on the market. As we have seen over the last 18 months, the severe lack of availability of supplies and resulting price volatility in price increases is severely impacting the ability for our members and the sector to build homes. Added to this is the extreme labour shortage, now a crucial issue for our industry. The Bill does not address these, and without change in these areas, the cost and ease of building a home will remain a challenge that will impact the ability to roll out the Bill.

Further detail on each of these areas is outlined below.

Design

Homes built through the changes to the MDRS need to be well designed. Design embodies the look of a home, suitability of a home and durability of a home.

However, before any of the design can go ahead, land needs to be available for development. Our members agree that land availability is a huge issue, that is getting worse not better. Many of our members play a role in sub-dividing land for development. An example of how difficult this has become is from one of our members in Taranaki. Here they need to build on flat land where the water table is high. This land needs to be drained and discharged. This is no longer enabled in legislation, so developments on this type of land are currently near impossible. This exacerbates the problems we have now, and the MDRS does not provide a solution. Land cost is also one of the highest costs on any build project. A Deloitte report from 2018 had land at between 20-30% of the total residential construction costs in Auckland – this will have increased in recent years, with some estimates at 50 to 60%. If no land is available to build more homes, any changes to MDRS will have little impact.

Where development does get underway, homes built under the new standards in communities where medium density building is not the norm, need to be designed in consideration with how the homes integrate with the rest of the community. Not only do we want people living in homes under these changes to want to live in the home due to its quality on the inside, but also due to how they look and feel on the outside. Community is important when looking for a new home, and so if a home doesn't fit cohesively with others, it can look unattractive to potential dwellers. As it currently stands, building standards do not have a character assessment, and the MDRS have the potential to create mismatching of homes in a neighbourhood. This issue is addressed in the UK through Local Design Guides, which detail how a new build should look to match the character of a borough. As Resource Consent would not be required for homes developed from the updated MDRS, Tier 1 councils should consider using a character assessment as part of the Building Consent process to ensure that suburbs remain attractive to live in terms of character, but also not hinder necessary development in those areas.

In addition to the society impacts of medium density housing, there are also challenges around building medium density housing combined with navigating other government regulations. New Zealand's construction industry has a big challenge under the Climate Change Response Amendment Act 2019, in creating a net zero building industry by 2050. Part of meeting targets under this Act, is the innovation in the use of timber for building. Concrete use adds immensely to the carbon footprint of a building, however, will need to be used in the construction of three storey homes

under the NZ 3604 standards. These standards of using timber when building homes, only are applicable to three storey homes, when at the bottom level at a minimum is concrete masonry walls. Therefore, it is contradictory to advocate for increase in medium density housing, in conjunction with enforcing net zero carbon emission targets. RMBA proposes that any changes to the MDRS that include the allowing of three storey structures, also trigger a review of the NZ 3604 standards to allow for these homes to be built with environmental impacts in mind. Otherwise, design options are limited, and the goal for the industry and New Zealand to be net zero by 2050 is nearly impossible.

The changes proposed to the MDRS encourage more homes to be built in closer proximity to each other. When designing these buildings, there needs to be consideration around the design to create the best living environment for the New Zealanders who will live in them. New Zealand already has a quality issue with much of its existing housing stock, and these issues should not continue in new housing stock. Design of any homes under the MDRS needs to factor in positioning of the home, to maximise sun, shade, and ventilation possibilities. Currently the proposed changes do not address this and could lead to homes that are not best positioned to maximise the natural light and warmth available to us from the sun.

In addition to designing homes under the MDRS with natural warmth and light potential in mind, medium density homes need to be built to be dry. New Zealand has seen before what subpar quality can mean in terms of leaky homes, and there is risk that homes built close to each other without updated design techniques to account for this, may create a home with water tightness issues. We are seeing this in our own Master Builder guarantees, where many designs are built without eaves, which can greatly affect the weather tightness of a building. This is usually done to maximise the use of the land being built on, as without eaves, a home can be built closer to the section boundary. Our concern here is this will cause issues for the home without this added feature, but could also cause flow on effects to communities, especially where all the homes in one area follow the same design.

A further complication with the proposed changes to the MDRS, is the arrangement for owning the home and land. Land does require Resource Consent in order to be subdivided, and so anyone wanting to use the Bill to build homes on their current land and then sell these on, would require Resource consent in order to sell the land along with the new home. However, if the owner did not want to do this, they could sell the home under a cross lease option. Cross Lease options are the most complicated form of home ownership in New Zealand and is not common, or usually particularly attractive to potential purchasers. The Bill could be encouraging this form of home ownership to be more common, and so there could be an increased risk for New Zealand homeowners of these new arrangements in the future.

Quality

The purpose of the changes to the Bill are to increase housing supply. However, this needs to be balanced against the quality of any new homes built under the proposed legislation. New Zealanders not only need homes to live in, but good quality homes. The Building Code currently sets the minimum standard of quality that homes need to be built at. However, we are hearing from members that consumers often do not want to exceed the building code due to additional costs. Homes in New Zealand are built well, but there is plenty of opportunity to be built better. There are some great projects in New Zealand which have been built to the highest standards possible because they had the funding behind them. Government needs to consider how it will encourage homes built due to the changes in the MDRS be of exceptional quality.

Although supportive of better quality builds, we note the pressure this will place on an already stretched and stressed sector due to a boom type demand combined with severe labour shortages and supply chain issues exacerbated by COVID 19. In some cases, our members are unable to build houses due to the complete unavailability of materials needed, such as timber and insulation. Demand is only expected to continue, especially with population growth expected to see New Zealand with 6 million people by 2050.

Design has an impact on New Zealand meeting its carbon emission targets, but carbon emissions encompass the entire life carbon embodiment, which is largely out of the construction sector's control and very much down to use and maintenance by occupants. The BRANZ 2015 House Condition Survey results showed that over 50% owner occupied homes were not well maintained, and for rental homes this was over 75%.¹ MDRS changes does not stop this trend from continuing, as there is no criteria around the quality of these homes and how they should be maintained by owners and occupants. We not only need more homes, but homes need to be of superior and well designed quality as well as maintained in order to ensure the new homes last into the future. Otherwise we run the risk of leaving future generations with sub-par housing stock, such as we are currently dealing with.

Infrastructure

Any homes built under the MDRS need to be functional for New Zealanders to live in. Infrastructure needs to be up to sufficient to allow people to access amenities in their community, and not be isolated from other communities. Infrastructure includes access to public transport, supermarkets, and local council facilities. We do not encourage or want to create isolated communities, that are disjointed from the rest of the city they live in. New developments need to think of functionality and be future proofed, and this means that local councils will need to work with developers and builders to create an overall functional livable city. Infrastructure has been a key barrier holding back development for many years and the Bill does not fix this issue.

We were pleased to see the Government announce the Infrastructure Fund earlier in 2021. This fund will help to encourage further development in Tier 1 areas. However, this will be exhausted at some stage, and it will be down to local councils to ensure that all new developments are serviced correctly in the long term. Despite this dependence on local council to meet the every day needs of people living in new medium density developments, Crown Infrastructure Partners believes "that some high growth Councils are constrained in their ability to take on further debt to invest in infrastructure. Many of these high-growth Councils are near their borrowing limits, making it challenging to finance the infrastructure investments needed to keep up with demand. This limits their ability to open up the supply of land for housing construction."² This will affect our members, as land availability has been a crucial factor in getting new developments off the ground. Infrastructure, and lack of it, has flow on ramifications in how we meet our housing supply issues.

The ability to connect a new home to basic infrastructure is difficult and is not set to change. Approval from Auckland Council is required for any stormwater connection to a public stormwater pipeline. This will mean that those taking advantage of the MDRS will need to not only pay for the construction of a new building, but also for the connection of that home to public infrastructure. For

¹ [2015 House Condition Survey results | BRANZ](#)

² [Housing Infrastructure | Crown Infrastructure Partners | New Zealand](#)

a developer, these costs are often built in, however for landowners wanting to use land for multi-generation family living, this will be a financial burden that become excessive in the building process. A new stormwater connection for a home that is 30m away from the existing pipeline is enough to make the cost of building another home on a section unpractical for non-developers wanting to use the MDRS to build multi-generational family housing or comparable purposes.

Once a home is completed, there are infrastructure needs for the home to be practical for people to live in. An area of such infrastructure requirements, particularly for medium density housing is sufficient access to public transport. As the Government encourages the move away from getting in our vehicles to access amenities, new developments will need to be designed with how people living there will access transport to go to work, the supermarket and the doctor. Currently public transport in our main cities is very dependent on bus transport, as these are the easiest modes of public transport to add into a new development as the roads are built as part of new housing. RMBA would like to see more innovation from local council and Government on how to connect communities through different transport options, to support the Government's approach towards the carbon zero future.

In addition to accessing public transport so that people can access facilities further away from home, they also need to have local facilities that can serve without the need to go elsewhere for basic amenities. Supermarkets and health care facilities are needed in any new developments created from the changes in the MDRS. This has been slow previously in Tier 1 areas experiencing high growth. Churton Park in Wellington is a Tier 1 area and has experience extreme growth in population. The population in this suburb is expected to double over the next 20 years³, however it its first supermarket only opened in 2011. The suburb was established in the 1970s and previously people living in this community had to travel to Johnsonville or Tawa to go to a supermarket.⁴ The only public transport option available in this area currently is bus, resulting in many people using private vehicles to access basic needs. As developments similar to Churton Park continue in Tier 1 areas, we need to learn from these infrastructure issues, so they are not repeated, and all new developments, particularly created from the MDRS, need to have access to infrastructure planned in advance.

Affordability and Ease of Building

The Bill does not address affordability, the omission of which creates some risk. It can seem obvious that by increasing house supply, homes will become affordable – supply outstrips demand. However, affordability issues are more complex than simple tweaks to supply and demand. The building of homes often depends on market factors such as cost of supplies, labour availability and size of project. These are not influenced by the number of homes available on the market. As we have seen over the last 18 months, the severe lack of availability of supplies and resulting price volatility in price increases is severely impacting the ability for our members and the sector to build homes. Added to this is the extreme labour shortage, now a crucial issue for our industry. The Bill does not address these, and without change in these areas, the cost and ease of building a home will remain a challenge that will impact the ability to roll out the Bill.

³ [Churton Park Subdivision | Russell Properties, building and property development, Churton Park and Grenada, Wellington](#)

⁴ [Supermarket to open in Churton Park | Stuff.co.nz](#)

Core Logic's economist Kelvin Davidson has warned the costs of building will increase with companies facing difficulties getting staff and materials. Over the last 18 months, there has been a dramatic increase in the cost of building supplies. This is due to high demand not only in New Zealand, but in the global market. Worldwide, the construction industry is currently in a boom cycle, and this has been recognised by government. We don't expect much to change regarding the cost of building supplies, especially not in the short term. Core Logic's research team advises that housing construction costs are rising at double the typical pace, and 95% of our members have reported issues with increased costs, delays, and product substitutions due to a lack of available building materials.⁵ If the cost of building is unpredictable, building becomes an unattractive risk for some, and this may hinder the industry keeping up with demand. The Bill in its current state will not impact this, making it a challenge for those who do want to action the changes proposed to the MDRS.

In addition to the cost of building, ease of building due to labour is also a major issue facing the industry, which this amendment fails to tackle. 70% of our members in June 2021 said it is harder to get the staff they need now than it was 12 months ago. Staffing our industry sufficiently to build homes to meet the demand is a continuing struggle, and without the right amount of people working in the industry, there is a limit as to how much and how fast the construction sector can build to meet demand. The labour shortage in construction needs to be solved with government initiatives and increased immigration opportunities for skilled workers in order to meet the demand changes to the MDRS will create.

Lastly, changes to the MDRS only impact Tier 1 areas at this stage. Whilst Tier 2 can be included in the changes if government orders this to happen, we have heard from members in Tier 2 areas they are very much facing the same issues as Tier 1 areas. The proposed MDRS changes will do nothing to support our industry in those areas. Tier 2 areas are struggling to meet demand for housing availability just as much as Tier 1 areas. In Gisborne, New figures from Statistics New Zealand show 156 resource consents for new dwellings have been consented for the year ending September — an 81 percent jump on the same period last year, showing that housing supply is an issue nationwide, rather than just in our cities. MDRS does not extend far enough into these areas of the country and our members need support in meeting demand in Tier 2 areas, just as much as Tier 1 areas.

Conclusion

Registered Master Builders recognises that there is currently high demand for housing. Our members are working hard to meet this demand, despite the current industry challenges. RMBA encourages ideas on how we can improve our efficiency in increasing the housing supply. However, the Bill does not tackle the big issues currently stifling the construction industry, which are imperative in progressing building forward. The MDRS needs to address how we will meet the current needs of New Zealand housing without compromising on quality, design and infrastructure. Our members need further support in areas of land availability and access to skilled labour, which are still not being solved by government and the Bill will not change these significant barriers in development.

RMBA thanks you for the opportunity to contribute to Bill.

We are keen to remain involved in this important strategy for New Zealand and are available to appear in person to talk to our submission if required.

⁵ [Quarterly housing construction costs rising at double the typical pace \(corelogic.co.nz\)](https://www.corelogic.co.nz/news/quarterly-housing-construction-costs-rising-at-double-the-typical-pace)

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