

# National **Science** Challenges

**BUILDING BETTER  
HOMES, TOWNS  
AND CITIES**

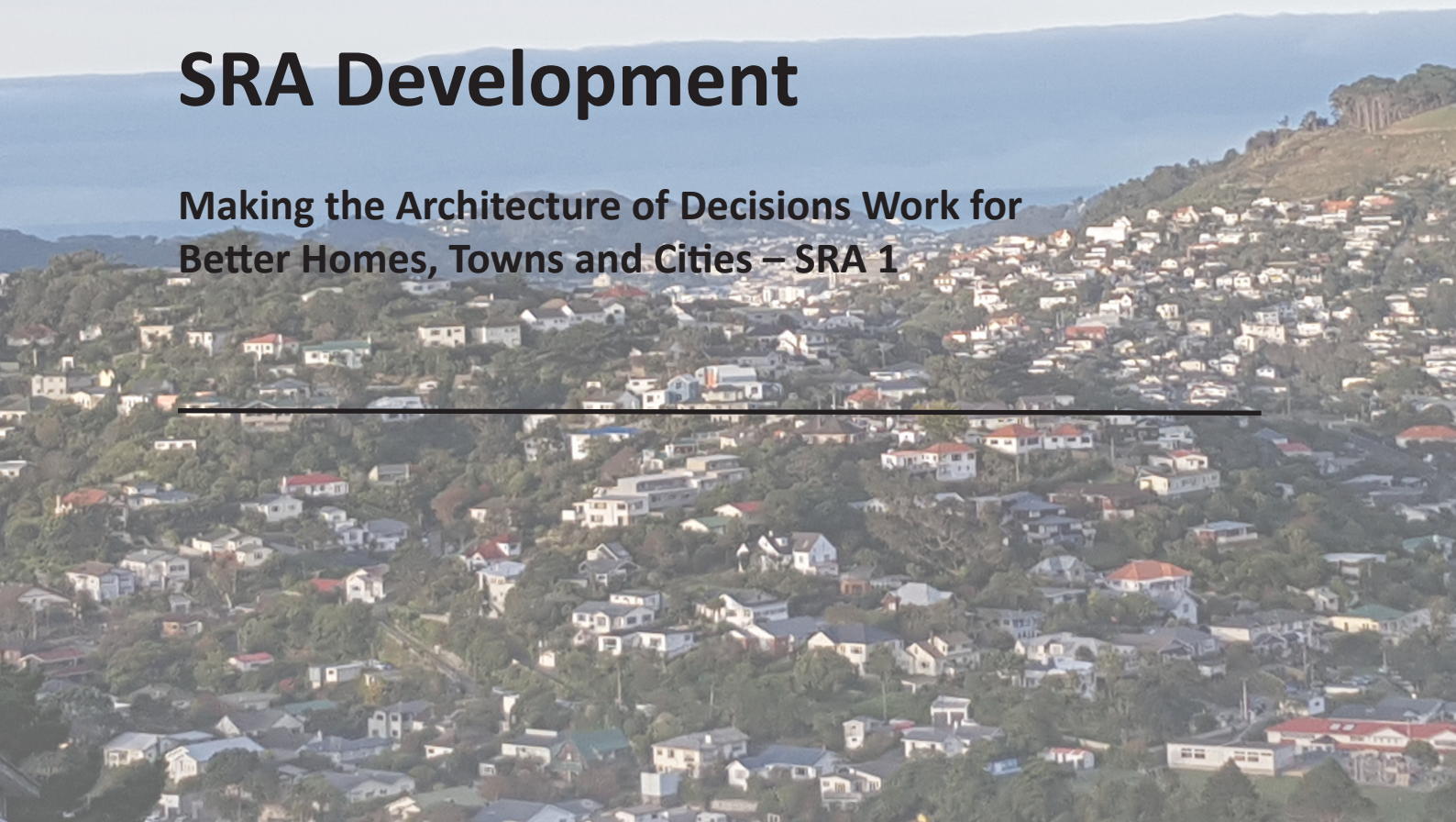
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Ko ngā wā kāinga hei  
whakamāhorahora

## **SRA Development**

**Making the Architecture of Decisions Work for  
Better Homes, Towns and Cities – SRA 1**

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# **SRA Development:**

**Making the Architecture of Decisions  
Work for Better Homes, Towns and  
Cities – SRA 1**

**Issues - October 2016**

## **SRA Title** – Making the Architecture of Decisions Work for Better Homes, Towns and Cities

**The Big Issue** This SRA is all about the big frustration – That despite the resources, reviews, time and anxiety we expend on saying we want affordable, functional homes, fit for purpose financially sustainable infrastructure that meets the needs of local communities, built environments that facilitate individuals, households and families to thrive or a productive building sector – we and New Zealand keeps failing to deliver on that.

Review after review has blamed some or some part of the building industry, the regulatory sector, councils and even householders. An array of ‘silver bullets’– everything from parallel importing, to de-regulating or regulating more, to pre-fab, to releasing urban boundaries and more – have been promoted to make our homes, towns, and cities better. Those bullets keep getting fired but many seem to just add costs on to households, ratepayers, industry, the community sector and public agencies. An awful lot of blaming has gone on.

**This Research** says let’s stop looking for the mythical ‘silver bullets’. Let’s stop turning the cycle of blame. Let’s, instead, take a realist approach which recognises:

- That there are lots of actors and decisions that impact on our homes, towns and cities.
- Some of those actors and the logics of their decisions are not clear to others and some actors have more impacts than others.
- The long-term outcomes of the logics, and the tools different players use to make decisions, are often not clear and we don’t understand:
  - How they affect New Zealand’s ability to get affordable homes in towns and cities that work are often not clear. made in the complex architecture of decision-making; or
  - How they tools, logics and relationships might be adjusted to get better outcomes for all.

This research focuses at three sets of places where decisions are made. They are made by:

**(a) Critical Resource Holders** – The holders and suppliers of land and finance. These include a range of players including owner occupiers of residential land and public bodies. Particularly important are financial institutions including but not restricted to retail banks.

**(b) Critical Actors** – There are two sets of actors positioned very differently in relation to both resource holders and regulatory agencies: supply-side and demand-side.

- On the supply-side are those who transform land and finance into homes and built environments. They include developers, housing providers (public, private and community), the construction industry and infrastructure providers. Their decisions shape the location, type and function of developments, their size, scale and timing and the functionality, connectedness and affordability of the homes delivered within our towns and cities. Their decisions are often governed by the use of tools and requirements around economic or social returns on investment.
- On the demand-side the focus is on householders (owner occupiers and tenants respectively) who exercise an influence on homes and the built environment through their housing choices.

**(c) Regulatory Agents** – These include the formal, de jure agencies that act to manage the supply of land, manage financial risk, the impacts of development and the performance of dwellings on behalf of society and for the public good. Examples of relevant

regulatory mechanisms range from land use planning, building codes, loan to value ratios, public health regulations and tenancy legislation around building performance. Agencies include the Reserve Bank, Councils, tenancy services, and District Health Boards. They also include a panoply of industry and professional bodies with statutory obligations to ensure acceptable practices, promote best practice and accredit professionals working in the building and finance industries such as planners, engineers, real estate agents, financial advisers, banking and insurance.

**The Research** is structured around 8 projects designed to:

- Establish the key nodes of decision-making for homes, towns and cities.
- Establish the path dependencies between decision nodes and the materiality of those dependencies and contingencies in relation to desired outcomes, in particular:
  - Supply of fit-for-purpose housing affordable to those in housing stress
  - Age friendly, walkable and connected neighbourhood, towns and cities
  - Built environments that are adoptable fiscally, economically, environmentally sustainable in the context of changing demographic and economic conditions including settlement contraction or expansion
  - Infrastructure that is adaptable to changing needs.
- Assess the alignment of objectives/outcomes among actors in different nodes.
- Establish logics and build an inventory of tools used in different nodes.
- Identify opportunities for re-calibration and re-tooling of existing tools and re-alignment of logics across decision nodes.
- Work with key stakeholders and decision nodes to re-calibrate, re-tool and adapt the decision-making architecture to optimise achievement of shared outcomes, reduced moral hazard and negative spill-over effects and externalities.

## Programme Summary

### Component Summary

- Logic, taste and tools studies:
  - Finance and investment – industry and retail
  - Māori development finance
  - Housing and infrastructure providers
  - Consumers and households
- Land retention/opportunities and constraint studies
  - Auckland
  - Christchurch
  - Bay of Plenty – Tauranga, Western Bay of Plenty and Kawerau
- Initiative studies
  - Special Housing Zone – Tauranga
  - SHA Re-development and intensification – Auckland
  - Re-build Christchurch
    - Competition pathway
    - Meeting transition housing needs for youth
  - Smarter Streets – Auckland
- Māori land and development initiatives

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### Key Outputs

Map of key decision nodes and pathway dependencies  
 Inventory of logics and decision tools by key nodes  
 'Roadmaps' for tool re-alignment and re-tooling opportunities

**Immediate Priorities** In the early stages of this research we will be focusing particularly on some really key issues:

1. Land and what makes those that own and manage land develop it or not, and the way in which that relates to:
  - Issues of finance including how land and property are used to secure credit for development or other activities and the impact of those practices on decisions around housing supply.
  - Issues around policy, planning and statutory frameworks including the framing of land ownership and management of Māori land.
  - Less well-canvassed constraints and barriers such as:
    - The use of covenants in residential development and impacts on the supply of affordable housing.
    - The skills, motivations and drivers of property owners to develop property– this will focus on owners of residential land and unrealised potential for subdivision as well as the dynamics around town centre redevelopment.

Particular attention will be given to exploring dynamics and motivations around land-banking and land-hoarding, understanding the differences between them and examining the way in which property owners may be incentivised to release or develop land and property to generate better homes, towns and cities.

2. The tools that private, community housing and public agencies use when considering investment or procurement in the built environment, and:
  - how those reflect statutory or other policy or practice constraints;
  - the logic underpinning the tools; and
  - the impact of theorised tools on the supply of affordable homes and on the functionality of built environments.

### **Outcomes - By July 2020:**

- Decision makers of all types, i.e. Resource Holders, Critical Actors (supply and demand sides of building) and Regulators, will have a deeper understanding of the complex system within which they operate. They will know how their decisions affect others and, in turn, who constrains their decision making. They will have greater knowledge of how their processes may privilege certain practices and who they need to work with to deliver desired outcomes.
- Local and central government, housing providers and the building industry will have a change platform for achieving improved outcomes through access to a robust and transparent mapping of the path dependencies, logics and tools which inhibit the adoption of key platforms promoted as delivering better homes, towns and cities (eg., SHZ and SHAs, mixed use intensified redevelopment, Smarter Streets, and papakāinga).
- Input to Transforming the Building Industry regarding specific building industry processes for improvement focus.

**The Value** of this research lies in a simple proposition – adopting a realist approach to understanding where interests, practices and logics align or conflict, provides opportunities:

- For different players to make better choices within the constraints of the current system;
- To identify where key blockages and inertias lie and allow those to be targeted;
- To unlock innovation among different actors and players to address current constraints and optimise shared outcomes;
- To allow intended and unintended impacts of proposed regulatory and interventions to be identified and assessed.

Even small changes in performance can be associated with significant dividends from avoided costs and improved productivity of the industry as well as individuals living and working in New Zealand.

Even small changes in the way we do things can give big savings (Figure 1)