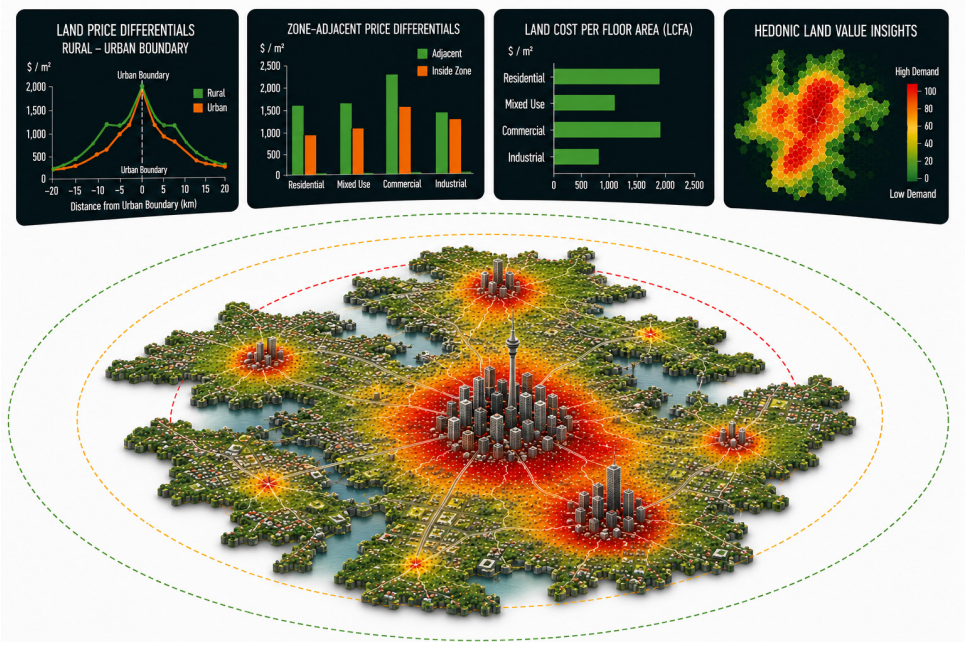
RESEARCH NOTE

BEYOND TARGETS

HOW TO PLAN WHEN PREDICITONS NO LONGER SET THE RULES

MAY 2026

BENNO BLASCHKE



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Contents

List of Tables

1. The question we are answering

The Planning Bill 2025 is replacing New Zealand's resource management system, and with it the accountability spine of the previous regime. Under the Resource Management Act, councils were held to a "sufficient development capacity" standard: a quantitative test of whether their plans enabled enough housing to meet projected demand. A growing body of evidence shows that the sufficiency test failed in practice. The research note *Competitive Urban Land Markets and the Planning Bill 2025* made the case that capacity modelling cannot be the accountability spine of the new system.[1] This note addresses the follow-up question: if not capacity modelling, then what? This note explores how to transition planning to give effect to a competitive logic.

The CLM note presented disciplining mechanisms, or "fail-safes" intended to ensure councils cannot preside over scarcity while remaining formally compliant. It assumed that some other instrument was carrying the positive task of telling planners how to build a plan. A research note titled *Enabling Market Forces to Shape Cities* (forthcoming) will extend the conceptual frame of the diagnostic tools and addresses objections to price-based monitoring.[2]

Notwithstanding the usefulness of these research notes, neither sets out the specific policy instruments that would direct planners on how to proactively develop plans under a competitive logic. That is the gap this technical note attempts to close.

Two specific questions need answering:

- Are the price indicators we have proposed sufficient for system accountability, or do the suite of indicators need to be expanded, or supplemented by other levers?
- What does the practice of planning look like once capacity modelling is no longer the spine: How does a council write a plan? How can we guide planners to make substantive choices that any plan will require?

This note canvasses a framework that addresses both questions. The initial framework would need further work to develop some elements in practice.

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[1] Benno A. Blaschke, *Competitive Urban Land Markets and the Planning Bill 2025: On Agile Land Release and the Definition of Sufficiency*, Research Note (The New Zealand Initiative, 2026), 1–56, https://www.nzinitiative.org.nz/reports-and-media/reports/competitive-urban-land-markets-and-the-planning-bill-2025/.

[2] Benno Blaschke, *Enabling Market Forces to Shape Cities: Using Price Signals to Inform Land Use Decisions* (The New Zealand Initiative, forthcoming).

2. The context to the alternatives

The spectrum we are working on is anchored at one end by the business-as-usual (BAU):

- A vision-led, prescriptive form of public planning in which planners set detailed master visions for each area, or parcel, to achieve development capacity targets (e.g. number of dwellings or floor space). This is what Bertaud calls "visionary" planning, and what Lees, following the Productivity Commission, calls the "activist" or "detailed visionary" approach.[3] The label is technical. "Visionary" here describes a command-economy logic in which planners impose a top-down view of how the city should develop, and direct firms and households to comply. It is the planning style that has produced systemic supply suppression underpinning housing unaffordability and low economic productivity.
- At the other end of the spectrum is the first-best alternative where public planning first separates public from private spheres ("making room for growth") and then allow private planning by developers, firms and households free to determine how cities evolve, bounded by environmental limits and material effects on other (neighbouring) land, with infrastructure handled as a financing problem. Bertaud calls this "non-visionary"; Lees calls it a "bare-bones" framework.[4] The indicative architecture of the new planning system in the Planning Bill 2025 sits short of this first-best alternative.

We are therefore working in a practical middle (see Table 1). Councils will continue to develop plans that are informed by, for example, community expectations and aspirations. Under this alternative framework, the planning system continues to have many substantive jobs to do. The key changes between the BAU approach and the CLM approach lies in: i) the framework that guides the work of the planner; and ii) the corrective mechanisms within the system if/when the resulting plans turn out not to be working.

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[3] Kirdan Lees, *Done Right, Spatial Planning Can Help Improve Housing Affordability* (Sense Partners, 2021).

[4] Bertaud limits planning to a key role, which is to separate public from private spaces, to then allow market forces (prices) to allocate land and floor space. The public side is spelt out in further detail by Angel's work on the "Making Room for Growth" paradigm, which is a more focused undertaking concerned with coordinating public space with private development. This type of planning identifies where public works can go, securing the land for this (through options contracting or acquisition, and makes that domain off-limits to private development). We acknowledge that "visionary planning" is still done by "planners" in liberated planning systems (metros and states). However, these are planners of private developments who need detailed "master-planned communities" for their respective projects. Master-planning at great detail is not itself the issue. The problem is that New Zealand "public" planners tend to plan their cities (higher resolution) in the same qualitative way (with prescriptive detail) that private planners rely on to plan their development projects (lower resolution). Alain Bertaud, *Order without Design: How Markets Shape Cities* (MIT Press, 2019), https://mitpress.mit.edu/9780262550970/order-without-design/; and Schlomo Angel, *Planet of Cities* (Lincoln Institute of Land Policy, 2012), https://www.lincolninst.edu/publications/books/planet-cities/.

Table 1. The three positions on the spectrum, compared. The middle preserves the substantive jobs of planning (corridors, land use and infrastructure integration, externality management) while replacing capacity modelling with price-evidence discipline as the accountability spine.

Three approaches to the practice of planning

A spectrum from prescriptive vision through to non-prescriptive enabling, and where the new system can credibly sit

More central rationing — Visionary (BAU) — Practical middle — Non-prescriptive enabling — More market enabling

	Visionary (BAU) Detailed vision + predict-and-provide	Practical middle Constrained, price-disciplined	Non-prescriptive enabling Bare-bones, market-led (Bertaud, Lees)
	Being abandoned in the Bill	Where the new system can land	Rejected as too large a leap
WHAT PLANNING IS FOR	Set a master vision for each area. Forecast demand. Model capacity to meet a forecast quantum of development.	Maximise land productivity subject to environmental limits, infrastructure capacity, and reasonable neighbour effects.	No master vision. Permit development subject only to environment and reasonable neighbour effects.
WHAT THE PLANNER DOES	Builds a detailed area vision and demand projections, allocates capacity in tranches gated on infrastructure budgets.	Three jobs: corridor planning, land use and infrastructure integration, and managing externalities through standardised zones.	Designates infrastructure corridors and environmental no-go areas. Otherwise stays out of the way.
WHAT GUIDES PLANS (EX ANTE)	Stats NZ projections, competitiveness margin, HBA modelling, plus planner discretion on location and intensity.	Panel competition assessment of operative plan, reverse-modelling infrastructure floor, and severity-based weighting.	Nothing imposed centrally. Markets allocate uses; infrastructure financing handled separately under the IFF Act and similar.
WHAT DISCIPLINES FAILURE (EX POST)	Council self-monitors against its own plan. Plan changes are discretionary. 10-year cycles dominate.	Independent panel + price indicator dashboard, with site-level developer right of action and system-level mandatory enablement.	Markets discipline themselves through entry. Environmental limits remain. No standing central monitoring required.

The proposed middle preserves the substantive jobs of planning while replacing capacity modelling with price-evidence discipline as the accountability spine.

The structure of this note covers:

- **What planning is for** in substantive terms once development capacity targets no longer determine land use regulation (Section 3).
- **The operational machinery** the system uses to do that work: ex-ante plan design; ex-post monitoring; and exception handling (Section 5, Section 6, and Section 7). Section 4 introduces these three operational domains in summary before each is treated in detail.
- **Questions about the independent expert panel** are folded into Section 5. This includes the institutional question where the panel might sit, alongside the panel's work in relation to plan-making and reviewing. Annex A provides additional theoretical grounding for designing and finding an institutional home for the panel.

3. What public planning is for: Constrained optimisation

The cleanest framing of what "public planning"[5] is for, once capacity targets are removed, is consistent with the CLM note's Block 1. Treat the planner's job as a constrained optimisation. The objective is to enable land to its highest and best use subject to three specific constraints: *environmental limits* whose effects fall outside the affected property; *public nuisance* via infrastructure congestion and network impacts; and *private nuisance*, defined as unreasonable burden between neighbours without reciprocal benefit.[6]

Within that framing, planning has three concrete jobs:

1. **Corridor planning:** Cities need to separate public from private space ex-ante, thereby providing designated space for the major transport, water and other contiguous networked infrastructure their growth requires, and that space must be protected from incompatible development before it is needed. Even in the most enabling framing of the spectrum, corridors remain an indispensable part of what planning does. The CLM note recommends spatial planning be recast as a narrow, preparatory function focused on infrastructure corridors and environmental no-go areas.

2. **Integrate land use with infrastructure:** Permitted intensity must be connected to the infrastructure that will support it, and the connection must carry a credible financing nexus rather than being a discretionary judgement after the fact. The precise framing here is when the binding constraint on intensity is infrastructure, the resolution is delivery and finance, with the resulting land-value uplift funding the works. This is the direction of travel across the funding-and-financing reform programme: the IFF Act, the new development levies replacing development contributions, and other instruments that may follow are all expressions of the same logic. The CLM note's clauses (d) and (q) (infrastructure as a delivery and financing problem, not a veto) build on it.

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[5] We distinguish "public planning" from "private planning". Public planning is done by public bodies to affect landowners at large (high resolution), and private planners serve specific landowners and development projects (lower resolution). Our discussion and prescriptions relate to public planning only, and we use "public" sparingly. A private planner may well do many of the activities described in the first column of Table 1 above for "visionary planning" at the level of a development, particularly a large scale "master-planned community" development. The issue is not so much whether planning happens, but who does it and for what purpose.

[6] Some people argue that public planners should also consider positive externalities (amenities) as part of their constrained maximisation function. However, this is arguably implicit in the objective function to maximise. The CLM note also suggested that price signals be used to inform the relative weighting of considerations. So, the worse things get in affordability etc, the more public planners have to pursue growth rather than levels of service. It is possible to consider allowing amenity to be an input to zoning and to apply "regulatory takings" when regulations (applied standardised zones) are incongruent. By "incongruent" we mean that there is no reciprocal benefit amongst affected parties. But all these matters are incidental to the main point discussed about constrained optimisation.

3. **Manage externalities and nuisance through zoning and overlays:** This is the part of planning that genuinely manages local incompatibilities and that supports residential and commercial uses that need predictable adjacency. “Good” housekeeping zoning manages real nuisance costs proportionate to the costs of allowing the use. “Bad” housekeeping zoning restricts beyond what any legitimate purpose requires and micromanages cities. The optimisation framework asks the planner to do the first while precluding the second.

This is a more limited conception of public planning than current practice. It strips out the volumetric forecasting role and the master-planning ambitions that go with it. It does not strip out the substantive functions that almost everyone agrees councils need to perform.

Capacity modelling can sit inside the planning system as an analytical input. Councils may use it to test the implications of alternative zoning configurations, to understand what existing infrastructure could support, and to scope the consequences of regulatory choices before making them. What capacity modelling cannot do, under a competitive-markets framing, is determine the regulation. The regulation is set against market-evidence indicators of competitive land supply. Capacity modelling is one of several analytical tools councils draw on when forming their position.

Bertaud pressed this distinction in his New Zealand engagements and what the Infrastructure Commission has set out in its own analysis: capacity modelling can inform, but it does not bind.[7] The practical implications of this distinction, including how capacity-based and price-based approaches can run in parallel during a transition period, are developed in Section 6.

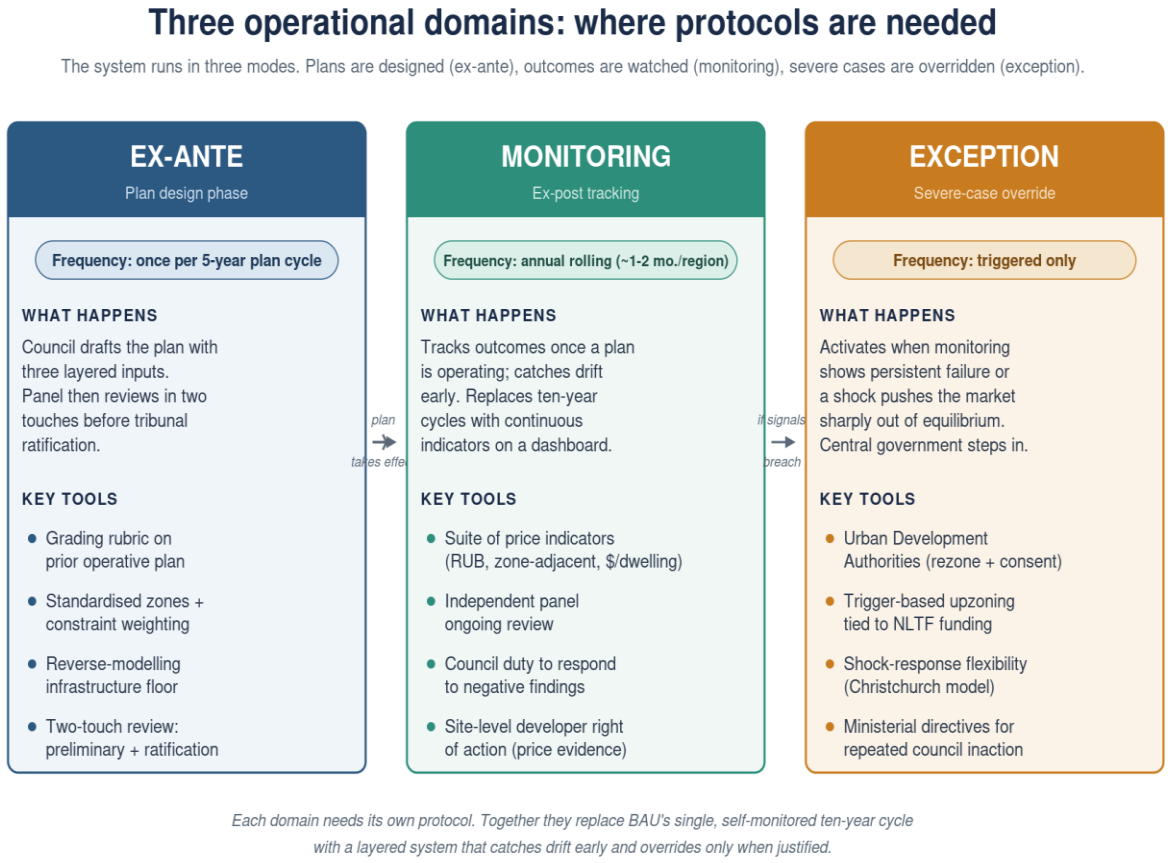
The mechanism for connecting these jobs is standardised template zoning. The Bill is already moving toward a national taxonomy of cumulative zones, based on the Japanese model where each higher zone retains the rights of the previous and adds further development rights. That same taxonomy can carry the constrained-optimisation logic. Each zone packages a development-intensity right with the environmental and nuisance constraints that intensity level requires. Zoning becomes the calibration of the optimisation problem, not an exercise in provision based on a total modelled quantity deemed “sufficient”.

[7] Alain Bertaud et al., hosts, *What Planners Control - and What They Don’t*, March 20, 2026, 1:06:35, https://www.nzinitiative.org.nz/reports-and-media/podcasts/alain-bertaud-on-what-planners-control-and-what-they-dont/; Cam Vannisselroy, *Development Capacity Requirements and Price Indicators*, Memo, Official Information Act Request HUD2024-004947 (Ministry of Housing and Urban Development (HUD), 2024), 1–7, https://www.hud.govt.nz/assets/Uploads/Documents/OIA-release/HUD2024-004947-response.pdf.

4. Three operational domains

There are three relevant planning modes, each with its own protocol (Table 2 and Sections 5–7).

Table 2. The three operational domains.



Ex-ante planning

The plan-design phase should run at the start of each five-year plan cycle, because the historical ten-year cycle has been too long to meaningfully overhaul plans when the evidence is clear that the plans are underperforming. Two questions need answering here: What guidance does the council get when it sits down to draft the plan, and how does the panel review the draft once it is produced?

The guidance comes from three layered inputs:

1. **The panel uses a grading rubric** on the council's own prior operative plan. This is a written critique that says, "Here is where your last plan was suppressing supply, here is the magnitude, now do better."
2. **National direction** supplies:
    a. *A standardised zoning taxonomy*, which is a national menu of cumulative zone types every council must pick from, so that any zone is a known package of development rights); and

   b. *Severity-based constraint weighting*, which is a national rule that increases the weight on enabling development intensity, and reduces the weight on managing local nuisance, in regions where affordability indicators are flashing.

3. **Reverse-modelling infrastructure floor** takes existing transport and committed utility network capacity as a given and works backwards to calculate the land use intensities the networks can potentially serve. This determines a minimum zoning intensity the council must enable.[8]

The review is then a two-touch process that comprises a preliminary "competition"[9] assessment that gives the council an indicative view (including a direct check that the council's plan actually meets the reverse-modelling floor at each part of the network), followed by full ratification by the same panel sitting in a determinative capacity once the council has refined. Section 5 sets this out in detail.

Monitoring

This is the ex-post tracking that runs continuously while a plan is in operation. A suite of price indicators on a dashboard (an RBNZ slackness-indicator-style approach, where a panel of complementary measures is read as a red/orange/green dashboard rather than relying on any single number), updated monthly or quarterly from LINZ transaction data, supports an independent panel in keeping a standing watch on outcomes.

The cadence is an annual rolling cycle through the urban-growth-active jurisdictions, with the panel spending roughly one to two (possibly three[10]) months on each before moving to the next. The Planning Bill 2025 envisages seventeen combined plans nationally, one per region, but standing monitoring attention falls on the roughly nine regions where competitive land market pressure is concentrated.

Where indicators show that the plan is not delivering, councils have a duty to respond, and developers have a site-level right of action (a private right to bring price evidence of a local zone-boundary differential to the panel and trigger automatic relief on a specific site, rather than waiting for the next plan cycle). The private right of action should operate at a lower trigger threshold than the council-level duty, so site-specific evidence of suppression can move ahead of systemic findings. Section 6 engages this further.

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[8] The purpose of this is to make it more future focused. A critical success conditions is to maintain the tight nexus between committing to the project, triggering upzoning, triggering land value uplift, and having a funding mechanism to capture that uplift. Absent infrastructure should not be used as a reason to refuse upzoning *iff* (if and only if) a finance solution solves for the infrastructure provision. This approach connects supplying that otherwise absent infrastructure with the upzoning and land value uplift to fund the project. If the upzoning happened anyway, then the nexus is broken, and it is very hard to claw back the uplift, or even attribute uplift, or even define uplift. The CLM note's points (e) and (f) in ensure that if someone was willing to supply the infrastructure, then the upzoning needs to occur.

[9] Since public planning is a constrained optimisation project to reduce the total cost across the enjoyment of land (and the forgone opportunity to create value), material nuisance (such as effects on other land and networks effects), and the administrative cost of the regulatory regime itself, this could also be seen as an assessment to ensure "efficient allocation" that optimises outcomes against all relevant factors.

[10] Some important indicators might only be available on a quarterly basis.

Exception

The override layer activates only when monitoring shows persistent failure, or when a shock pushes the market sharply out of equilibrium. A few possible interventions can be considered:

- **Central government intervenes through Urban Development Authorities (UDAs):** Crown bodies are empowered to rezone and consent simultaneously, bypassing the council where the council is not delivering;
- **Trigger-based requirements tied to major infrastructure funding** (a standing rule that ties Crown investment in a region above a threshold to concurrent upzoning along the corridor); or
- **A shock-response with land use regulation flexibility** modelled on the post-Christchurch earthquake legislation with corrections, and ministerial directives. Section 7 sets these out.

Summary

Together the three operational domains (ex-ante planning, monitoring, and exceptional overrides) can do the work that capacity modelling was supposed to do under BAU, but split across distinct modes with different protocols, frequencies, and accountability lines. Capacity modelling tried to do all three at once, badly and slowly. The layered system catches drift earlier (monitoring), responds to it more sharply when needed (exception), and frees up the plan-design phase to focus on substantive calibration rather than predict-and-provide arithmetic.

5. Ex-ante: How plans are built

Under the Planning Bill 2025, councils will be redoing their plans. The ex-ante domain answers two questions: What guidance, if any, does the council get when it sits down to draft a plan? And how does the panel review the plan once the council has produced it? Before either question can be answered, a third needs settling: What kind of body is the panel, and where does it sit institutionally?

The panel: What it is and where it sits

The panel is a standing expert function that does the competition assessment work in both the ex-ante domain (this section) and the monitoring domain (Section 6). It is also the body that produces the grading rubric on the prior plan, sets the calibration of constraint weighting in national direction, and runs the binding floor check against the reverse-modelling output.

- **What the panel is:** It combines competition expertise (workably-competitive-market determination of the kind the Commerce Commission is concerned about) with urban land-use expertise (zoning, infrastructure capacity, and the spatial structure of New Zealand's urban land markets). It is a standing function with continuous data and analytical capacity, supported by access to LINZ transaction feeds, the national e-plan (with standardised zones), and council infrastructure data.

- **What the panel is not:** It is not a court, and it is not a tribunal. A free-standing tribunal of named domain experts was canvassed during the discussion and rejected as not the right body for this work. The reasons are two: a tribunal is a periodic adjudicative body suited to contested-case hearings, not the standing monthly-and-annual cadence the planning system needs in its accountability architecture; and the panel needs operational data and analytical capacity that a tribunal does not naturally host. The tribunal idea is worth keeping in mind as a possible contested-case escalation route in particularly disputed determinations, but it is not the home for the standing function and should not be conflated with it.

- **Where the panel sits:** This is the harder question. Four institutional options have been canvassed (see Table 3).

One option for the panel, which has been ruled out at the outset, is the prospective Ministry of Cities, Environment, Regions and Transport (MCERT). MCERT will comprise the institutions that designed and implemented the BAU sufficiency regime and so cannot credibly assess whether councils are enabling competitive land markets. The planning culture inside MCERT will be part of what needs to be changed, and until public sector reform changes that culture at a deeper level, panel findings sourced from inside that culture will not be credible.

The second and third options are two ways of using the existing institutional landscape, with one body hosting the panel and the other contributing through seconded expertise. Both are viable, and the discussion did not converge meaningfully on one over the other, but InfraCom was favoured. They are presented here as equal working options with different trade-offs:

A. **ComCom hosts the panel (InfraCom supports):** ComCom is New Zealand's competition authority, and competition determination is its statutory function. It has direct experience applying workably-competitive-market reasoning in adjacent contexts: prudential regulation and Part 4 utility regulation. ComCom will also have oversight over development levies in the new planning system. There are real complementarities with the Part 4 regime in particular, because urban land markets and regulated utility networks share structural features that ComCom already knows how to analyse. The substantive objection is that

ComCom does not currently hold the cluster of capabilities the panel needs: limited land-use planning expertise, urban economics, transport modelling, and infrastructure financing. Land use has featured in ComCom's market studies work, including the supermarket study's treatment of restrictive land covenants, but that is one slice of the relevant capability rather than the full set. The cluster can be built up over time, and the infrastructure-land use side can be supplemented through seconded capacity from InfraCom. There are also reservations about specific aspects of current ComCom leadership.

B. **InfraCom hosts the panel (ComCom supports):** The infrastructure-land use nexus sits at the centre of the CLM framework, and InfraCom already houses substantial urban and spatial economics capability, including senior expertise in the development-capacity modelling that underpinned the NPS-UD. The reverse-modelling infrastructure floor, the severity-based constraint weighting, and the operational data flows (network capacity, infrastructure delivery scheduling, the e-plan with standardised zoning) are all closer to InfraCom's existing remit than ComCom's. The urban-economics and spatial-analysis work the panel relies on (zone-by-zone capacity assessment, boundary-differential analysis, demand-side spatial modelling) sits closer to InfraCom's existing capability as well. The substantive objections are two: i) InfraCom is not a competition authority, and a formal competition determination would sit somewhat awkwardly inside what is currently an advisory body; ii) the determinative function would need to be created by primary legislation rather than added to an existing competence. Competition expertise is brought in via secondment from ComCom for the specific competition-assessment moments.

The choice between Option A and Option B turns on which framing of the panel's work is treated as load-bearing: the competitive-market determination, or the infrastructure-land-use synthesis. Both options share the same four-part design (an independent panel with operational data capacity drawing on both competition and land-use expertise) and mainly differ in which existing body provides the institutional spine. On balance, InfraCom convinces with strong capabilities in urban economics, infrastructure-land-use, and transport/capacity modelling.

The fourth option considered but ruled out early is a standalone independent body created from scratch. The advantage is independence by design and a clean institutional fit with the new function. The disadvantages are the time and cost of standing up a new agency under the urgency of the Planning Bill 2025 timetable, and the risk that a new body without an existing data, regulatory, or convening relationship with councils takes years to become operationally credible. The standalone option is held in reserve, available if neither Option A nor Option B turns out to be workable, with the option of spinning the panel out of either ComCom or InfraCom later if institutional fit becomes a problem.

Table 3. *The four institutional options for hosting the panel, assessed against criteria the panel needs to satisfy. Options A and B are equal working options.*

Option	Independence	Expertise and data	Speed to operational	Status
Prospective MCERT	Fails: too captured to assess credibly	Has data and land-use expertise, but inside the culture being changed; no competition expertise	Slow: culture change required first	Ruled out
Option A: ComCom hosts, InfraCom supports	Strong	Competition is the core function; complementarities with Part 4 utility regulation; can build land-use expertise over time; InfraCom supports by seconding capability	Fast: statutory side (determinative competition function) Slow: Capability (urban economics, analytical infra-modelling)	Working option
Option B: InfraCom hosts, ComCom supports	Strong	Infrastructure-land use nexus is the centre of gravity; strong operational data and analytical capacity; competition expertise seconded from ComCom	Fast: capability side (urban economics and infra-modelling) Slow: statutory side (determinative competition function needs legislation)	Working option
Standalone new body	Strong by design	All four capabilities need to be built from scratch (independence, competition, land-use, data)	Slow: standing up a new agency takes years	Reserved

There is no perfect option. What unifies them is that the panel must be independent of the institution it is assessing, must have operational data and analytical capacity, and must be able to draw on both competition and land-use expertise. Where exactly it sits is a separable question from what it does. Annex A provides theoretical grounding for deciding on the panel.

Guidance to councils

Three layered inputs give the council a substantive starting position rather than an empty page:

1. **A grading rubric** on the council's own prior operative plan, produced by the panel before the new cycle begins. The operative framing is straightforward. The panel assess the prior operative district plan in relation to competitive outcomes, then gives the council a grading rubric that says, in effect, "if you gave us your old plan again, this is what we would tell you about it; now do something better." The rubric makes explicit where the prior plan was suppressing supply, at which boundaries, in which zones, and at what magnitude. It gives the council a concrete agenda for what to fix rather than asking it to start from scratch. The rubric is built from the price-cost indicator suite (including but not limited to price differentials) set out in the next subsection. It grounds the rubric on the council's prior operative plan, it underpins the panel's preliminary-touch check on the draft plan, and it is the standing monitoring dashboard in Section 6.

2. **National direction** containing two calibration tools:

    a. *A standardised zone taxonomy* is already the Bill's direction of travel based on the Japanese cumulative model where each higher zone retains the rights of the previous and adds further development rights.

    b. *Severity-based weighting* of the constrained-optimisation framework set out in Section 4. Where the panel's monitoring indicators show material scarcity rents in a region, national direction increases the weight on enabling intensity and reduces the weight on managing local nuisance; where indicators show a competitive market and good housekeeping zoning, councils retain more latitude. The weighting is set through national direction and adjusted in light of the panel's standing diagnosis. This framing is implicit in the CLM note's clause (o), proportional application. The council is operating within a calibration the system sets, not against a quota.

3. **A reverse-modelling infrastructure floor** sets a minimum zoning intensity based on existing transport and utility network capacity that the council must enable. Applied to already existing plans and built up areas, the higher of two option always applies: the zoning intensity for the already existing built up area or the maximal zoning intensity of the infrastructure floor.[11] The proposal is to invert the standard transport-modelling approach. Instead of forecasting transport demand from assumed land use, set a target level of service for the network and solve for the population and zoning intensity the network can support.[12] The operative rule that follows is: minimum zoning equals the maximum the transport and utility networks can deliver, given current condition. This reframes infrastructure capacity as a floor on permitted intensity rather than a ceiling. Under the BAU logic, councils can use unfunded or absent infrastructure to refuse upzoning; under reverse modelling, existing capacity sets a minimum that must be enabled regardless of council preference, and any further upzoning beyond that minimum is connected to a credible financing pathway. The relevant point is that the toolkit is available, not which specific instrument is used. For example, the IFF Act sits in the kit today, the new development levies will replace development contributions and can sit alongside it, and other instruments may follow. What closes the infrastructure veto is that the council can no longer treat absent infrastructure as a reason to refuse development where the funding and finance is reachable through one or more available channels. Reverse modelling would require some work, but the conceptual move is straightforward.[13]

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[11] The point of this is to avoid scenarios in which the zoning output would be lower than the existing built-up area. This can occur when capacity has deteriorated due to deferred maintenance or postponed renewals. Under-pricing existing infrastructure should not justify tighter land use restrictions, especially since the value uplift because of investment in public services would have already been capitalised in the land.

[12] The new water regulator should have a view on setting levels of service (LOS) for water.

[13] In reverse transport modelling, the instinct is to turn land use into the output rather than the input of transport modelling. It is conceptually clean and has appeal. The floor-not-ceiling reframing in Section 5 also follows from it. But level of service (LOS) is conventionally measured at link or intersection level (e.g., the delay at a particular signal, or the travel time on a particular stretch of road) and reverse modelling needs LOS measured at network level: what proportion of trips from origin to destination are completed within a target time, across the network as a whole? Without a network-level measure the model produces a different answer at every link, which cannot translate coherently into a single zoning floor for a region. There is also a gaming concern: a council that does not want to upzone has an incentive to under-maintain the pipes in the area it does not want to upzone, lowering the apparent capacity and with it the floor. A key question for any work programme on this reversed modelling ("floor-not-ceiling") approach would be to address the network-level LOS measurement problem to ensure it is reliable in practice.

These three inputs together can replace the demand-forecasting of capacity modelling with market-evidence and understanding the density that existing or deliverable infrastructure can enable. The council responds to such evidence applying the constrained-optimisation logic of Section 4, to draft its plan.

The price-cost indicator suite

Four indicators do most of the diagnostic work, and can sit alongside other indicators that round out the picture,[14] including catch-all measures such as the median multiple (the ratio of median house price to median household income). The median multiple captures affordability outcomes but does not isolate the regulatory cause, which is why the four indicators below carry the diagnostic load. Three are quick price-based ratios that can be calculated continuously from transaction data: rural-urban boundary differentials, zone-adjacent differentials, and land cost per floor area (LCFA). The fourth, hedonic land-value analysis, is a regression exercise applied periodically at plan-review moments rather than continuously. Each measures a different failure mode in the land market, so they are read together rather than against each other.

The rural-urban boundary differential

Boundary differentials at the rural-urban edge test whether the city as a whole has zoned enough at the extensive margin (relevant for urban expansion). A persistent and material gap between land prices on either side of the urban edge, controlling for the cost of servicing the rural land, with urban land trading well above rural land at the boundary, is a sign that the city is not allowed to sufficiently expand: the urban boundary itself is suppressing the supply of urban land. This indicator tests the city-wide rent floor.

Zone-adjacent differentials

This measure applies the same logic at internal zone boundaries. Zone-adjacent differentials at internal boundaries test whether the placement of zone lines is suppressing prices on the restrictive side. Where two zones sit next to each other and the more restrictive zone shows materially lower land prices than the more permissive one, regulations are binding on the restricted side.[15] This indicator tests local suppression: whether a given zone is in the right place or too restrictive, regardless of whether the city overall has zoned enough.

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[14] A wider set of price-efficiency indicators is set out in Chris Parker's framework of efficiency indicators for urban land markets, which subsequently informed the Treasury-RBNZ-HUD Housing Technical Working Group's work on this topic. Chris Parker, "Efficiency of Urban Land Markets and Urban Economies," presentation to the New Zealand Association of Economists Annual Conference, 29 June 2023. The New Zealand Treasury, document reference 4828480.1 (not publicly released). HUD's *Analysis of availability of land supply in Auckland* (November 2024) sets out further indicators in the price-to-cost family. The panel itself should decide the exact suite of indicators it draws on. See Coleman Andrew et al., *Analysis of Availability of Land Supply in Auckland*, Joint Paper (The New Zealand Treasury, 2024), https://www.treasury.govt.nz/publications/jp/analysis-availability-land-supply-auckland.

[15] A price differential at a zone boundary is evidence that the regulation is binding, not direct proof that the regulation is overreaching. Good-housekeeping zoning managing genuine externalities will also produce differentials, reflecting the value of the externality being managed. The framework recognises this through the constrained-optimisation framing in Section 3: zoning legitimately manages externalities, and the question for the panel is whether the differential reflects an externality the regulation is properly managing or signals over-restriction. The forthcoming research note *Enabling Market Forces to Shape Cities* further explores the nuances of what price differentials may indicate in relation to scarcity rents, depending on good versus bad housekeeping zoning.

Land cost per floor area

Land cost per floor area (LCFA) is calculated by dividing the land price per square metre in a zone by the floor area ratio (FAR) the zoning permits, that is, the floorspace allowed on each square metre of land.[16] Because permitted floorspace sits in the denominator (the bottom number in a fraction), the ratio responds to regulation directly rather than waiting for teardown and redevelopment, which is why it is a clean test for upzoning. LCFA is a land-cost-to-capital ratio of a particular kind, with "capital" meaning the regulatory permission for capital rather than the capital already on the ground.[17] It tests within-zone permissiveness: whether the zoning, applied to current land prices, produces cheap or expensive land inputs to housing.[18]

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[16] The authors propose a measure called "Land Cost to Floor Area" (LCFA) as a measure of land costs: "LCFA is equivalent to the ratio of land price (measured in dollars per area unit, such as square metres) to the maximum floor area ratio (FAR) allowed in the zone. It is therefore increasing with respect to land price (i.e. the intensive margin), as a higher land price increases the land cost. LCFA is also decreasing with respect to quantities (i.e. the extensive margin). A more permissible regulatory environment means a higher maximum floor area for every unit of land." See Geoff Cooper et al., "Measuring the Cost of Land Inputs to Housing Construction," *New Zealand Economic Papers* 60, no. 1 (2026): 1–23, https://doi.org/https://doi.org/10.1080/00779954.2025.2536257.

[17] A related indicator tests the same height-limit question from a different angle. Glaeser, Gyourko, and Saks (2005) proposed comparing the sale price per square metre on the top floor of a building against the marginal construction cost of adding another floor above it. In an unregulated market, a developer keeps adding floors until the next floor up would cost more to build than it would sell for. The equilibrium height is reached when top-floor price equals marginal construction cost. If the observed top-floor price sits well above marginal construction cost, the developer would have built higher if allowed, and the gap measures how much value the height limit is suppressing at the margin for newly built buildings. Applied to Manhattan condominiums in the early 2000s, apartment prices were more than twice construction costs. Kendall and Tulip (2018) apply the same method to Sydney apartments and find prices around 85 per cent above marginal construction cost. They read Lees's (2018) New Zealand results as implying zoning accounts for around 70 per cent of the cost of Auckland apartments. Lees himself reports apartment prices in Auckland at roughly 3.5 times construction costs in 2016, with similar ratios of around 3 in Wellington, Christchurch, and Queenstown, and a clear acceleration after 2012. The indicator complements LCFA: LCFA tests whether the zoning is permissive enough on paper across a whole zone, while the price-to-marginal-cost test asks whether the height ceiling is binding on the buildings developers are actually putting up. See Edward L. Glaeser et al., "Why Is Manhattan So Expensive? Regulation and the Rise in Housing Prices," *The Journal of Law and Economics* 48, no. 2 (2005): 331–69, https://doi.org/10.1086/429979; Kirdan Lees, "Quantifying the Costs of Land Use Regulation: Evidence from New Zealand," *New Zealand Economic Papers* 53, no. 3 (2019): 245–69, https://doi.org/10.1080/00779954.2018.1473470; Ross Kendall and Peter Tulip, "The Effect of Zoning on Housing Prices," *Research Discussion Papers*, no. March (2018), https://www.rba.gov.au/publications/rdp/2018/2018-03.html.

[18] For example, if land in a zone sells for $1,000 per square metre and the zoning permits two square metres of floorspace on each square metre of land, the land cost per square metre of housing is $500. LCFA tests within-zone permissiveness: whether the zoning, applied to current land prices, produces cheap or expensive land inputs to housing. Cooper, Greenaway-McGrevy, and Jones (2022) propose this indicator and show that in Auckland's most upzoned residential zone, LCFA fell from roughly $2,500 to $700 per square metre of permitted floorspace between 2010 and 2020.

Hedonic location premium

Hedonic land-value analysis isolates how much buyers pay to be in a given location, controlling for lot size, zoning, structure, other characteristics of the property, and the suburb in which each property is located. It uses a regression to return a coefficient for each input, including a coefficient for each suburb.[19] The coefficient on a suburb is the *location premium* for that suburb: how much more (or less) a house in that location sells for compared to a reference location, holding everything else constant. Auckland Council uses this approach in its plan-evaluation work.[20]

A worked example helps. Suppose the suburb coefficient for Remuera comes out at $400,000 and the suburb coefficient for Drury comes out at $50,000. The regression is saying: a house with identical lot size, identical zoning, identical structure, identical everything else, sells for $350,000 more in Remuera than in Drury, just because it is in Remuera. That gap is the location premium.[21]

The location premiums vary across the city. High premiums appear in locations buyers value enough to pay a substantial amount for, even after controlling for what is built there and what the zoning permits. Low premiums appear in locations buyers value less. The pattern of premiums across the city is a spatial picture of underlying demand for the location itself, separated from the regulation that currently governs it.

This pattern is not the same as a map of land prices. The location premium answers a different question from land prices alone. Land prices are what land sells for in each zone, and they reflect demand for the location bundled with the scarcity premium that the regulation creates. In a high-demand zone that is also tightly zoned, both demand and scarcity push prices up, and looking at land prices cannot tell the panel which is which. The hedonic regression separates them by controlling for zoning. The premium isolates demand for the location, leaving regulatory scarcity to be measured separately by LCFA. This is why the suite uses both indicators. The premium tells the panel where demand is concentrated; LCFA tells the panel where regulation is biting given current prices. The two together let the panel see whether the regulation is suppressing real demand or just sitting permissively where there is no demand to enable.

This is what distinguishes hedonic from the other three indicators in the suite. The boundary and zone-adjacent differentials test margins; LCFA tests within-zone permissiveness given current land prices; hedonic tests the city-wide spatial distribution (not allocation by regulation) of demand, which the panel then compares against the spatial allocation of permitted intensity to see whether

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[19] Mechanically, the simplest hedonic regression takes the form:

> *sale price = constant + (coefficient on lot size × lot size) + (zoning controls) + (structure controls) + (a coefficient for each suburb) + ... + (other controls) + error.*

The regression returns numbers for each of these. The numbers tell you how each variable contributes to sale price. Each suburb's coefficient is its location premium, that is, how much more (or less) a property in that suburb sells for, holding all else (such as lot size, zoning, and structure) constant.

[20] Peter Nunns et al., *The Value of Land, Floorspace and Amenities: A Hedonic Price Analysis of Property Sales in Auckland 2011-2014*, Technical Report TR2015/012 (Auckland Council, 2015), https://knowledgeauckland.org.nz/media/1321/tr2015-012-value-of-land-floorspace-and-amenities-auckland.pdf.

[21] The location premium also differs from average sale prices in a more straightforward way: average sale prices include structure, lot size, and other characteristics, while the regression strips these out to isolate the location's contribution, which is what the panel needs, because it answers a question about where buyers value being, not about which suburbs happen to have larger or newer houses.

the regulation is enabling development where the market actually wants to be. Table 4 summarises what each of the four indicators in the suite tests.

Unlike the first three indicators, which run on price data the panel can update monthly or quarterly, hedonic analysis is a regression exercise the panel commissions at plan-review moments rather than continuously.

Table 4. The four-indictor suite.

Indicator	What it tests
Rural-urban boundary differential	City-wide rent floor: is the city zoning enough at the periphery to avoid city-wide scarcity rents (a rent floor that pushes up all prices)? Is the urban-rural boundary too tight, suppressing supply and lifting prices across the whole city?
Zone-adjacent differentials	Relative zone permissiveness: is the zoning intensity permissive enough within the urban area, especially more centrally and in high-demand areas? Is the restrictive side of a zone boundary too tight relative to the adjacent permissive side?
Land Cost per Floor Area (LCFA)	Absolute zone permissiveness: Given the floor space the regulation permits on each square metre of land, is the regulation producing cheap or expensive land inputs at current prices?
Hedonic location premium	City-wide spatial demand: where does the market want to be? Where do buyers pay a premium for locations, regardless of what zoning currently allows?

Summary

The four indicators can disagree, and that is a feature rather than a bug. A city can pass LCFA in every zone and still fail the rural-urban boundary differential, because the city-wide rent floor is elevated by under-zoning at the periphery.

The hedonic and LCFA indicators work as a pair on spatial allocation. LCFA tests whether the regulation within each zone is producing cheap or expensive land inputs to housing. Hedonic location premiums show where buyers pay to be, regardless of what zoning currently allows.

The four together catch a failure mode that any subset would miss. A city might meet its volume targets by upzoning in low-premium areas while protecting high-premium zones. The upzoned areas register acceptable LCFA readings (low prices, high FAR; the regulation is permissive and prices are low), which LCFA reads as “regulation working”. Problem readings appear only in the protected zones (high prices, low FAR), where LCFA flags the regulation as too tight. To round this out, the hedonic reading can show that the location premium is high in the protected zones and low in the upzoned ones, and that even in some areas where zoning is somewhat permissive, the regulation may still be too restrictive given the underlying demand.

The joint pattern reveals whether upzoning has been allocated to match the location premium or routed away from it**.** LCFA shows the symptom; the hedonic reading shows the gaming pattern that produced it. This spatial-mismatch has played out repeatedly in Auckland’s response to the NPS-UD. The four-indicator suite would make it visible: the volume target is met on paper, but the upzoning is allocated to locations the market does not value. Table 5 sets out the three diagnostic cases the suite catches: by spatial misallocation, failure by suppressed demand, and the case where LCFA reads benign but the hedonic premium signals demand the panel needs to verify.

Table 5. Diagnostic cases in the four-indicator suite

Indicators vs Diagnosis	Upzoned low-premium zones (peripheral areas)	Protected high-premium zones (inner suburbs)	Upzoned high-premium zones
Hedonic premium (demand)	Low premium: buyers do not value this location especially	High premium: buyers strongly value this location	High premium: buyers strongly value this location
LCFA (regulatory bite)	Low LCFA: regulation is permissive relative to current prices	High LCFA: regulation is tight relative to current prices	Low LCFA: regulation is permissive relative to current prices
Diagnostic	Regulation is permissive, but the demand is elsewhere	Demand is here (not just due to scarcity from limited zoning), and regulation is suppressing it	LCFA reads benign, but the premium signals demand is here. Panel needs to verify whether the upzoning is sufficient

Panel review of the council's plan

Review is a two-touch process. Councils put up their plans, they go to a competition assessment as a preliminary one, they get an indicative view of whether the plan seems consistent with competitive urban land markets based on the set of price indicators and specific plan features (e.g., provisions that regulate against commercial activity, such as "no supermarkets"), they go back and refine, and then they put it up for full ratification.

The first touch is a preliminary competition assessment. The panel applies the price-cost indicator suite described above to the draft plan, identifies how the draft is undermining competitive tension in land markets, and produces an indicative view. This is not yet binding. It gives the council the information it needs to refine before committing. Table 6 sets out how each of the four CLM conditions translates into a panel check using the suite. The magnitude of the indicator readings also signals how much change is needed: large boundary or LCFA wedges feed into the severity-based weighting in national direction, lifting the weight on enabling intensity in the regions where the panel's diagnosis shows the most acute scarcity rents.

Within that first touch, the panel can also run a concrete numerical check whether the council's plan actually meets the reverse-modelling infrastructure floor everywhere it should. Because the floor produces a minimum zoning intensity for each part of the network, the panel can verify part by part whether the plan is at the floor or sitting below it. This converts the floor from a piece of guidance the council can interpret loosely into a binding test the panel applies at the preliminary touch and again at ratification. It is also one of the places where the assessment can be read off the data directly rather than requiring the panel's qualitative judgement.

A second numerical check sits next to the floor. The LCFA reading is overlayed onto the draft plan, which calculated zone by zone at current land prices:

- **For the panel**, LCFA tests something the reverse-modelling floor cannot: whether the council's nominal upzoning (regulation) is reducing the real cost of land inputs to housing, or whether the plan is upzoning on paper without changing the economics on the ground. The reverse-modelling floor catches plans that zone below what existing infrastructure can

support. LCFA catches plans that zone permissively in name but where the cost of land per unit of housing has not actually moved.[22]

- **For the council**, it can run LCFA itself during drafting, against alternative zoning configurations, to project how each option would shift the indicator at current land prices. Unlike the infrastructure floor, LCFA does not impose a minimum. It tells the council whether its proposed zoning would lower the cost of land inputs to housing where the market wants intensity, and by how much. The council is in effect previewing the panel's preliminary-touch check before the panel runs it.

Alongside the two numerical checks, the panel applies hedonic land-value analysis (set out above) to the draft plan at the preliminary-touch. Unlike the floor check and LCFA, which can be calculated quickly from current data, hedonic analysis is the regression exercise the panel commissions at plan-review moments. Hedonic analysis sits with the panel rather than the council, because the regression exercise is substantial enough to be a panel-side commission rather than something the council runs against alternatives during drafting. It supplies the spatial demand picture against which the council's spatial allocation of permitted intensity is then judged.

Operationalising the four CLM conditions

The CLM research note's Part Four sets out four conditions that competitive urban land supply must satisfy: legal availability, economic substitutability (value-aligned location), simultaneity, and credible threat of entry (see Table 6). The panel review can be operationalised as four corresponding checks, each anchored in observable evidence from the council's plan and from the price data the panel already watches. Each check turns one of the four conditions into a question with a defined evidential base and a defined failure mode.

Table 6. *The four CLM conditions operationalised as panel checks. Each check turns one of the conditions into a question with a defined evidential base and a defined failure mode.*

Condition	Question the panel asks	How the panel tests it	What counts as failure
Legal availability	Is the plan's headline capacity genuinely usable now, or only nominal?	Reviews the plan for sequencing rules, infrastructure-readiness gates, and plan-change preconditions. Considers whether the plan promotes policies with anti-competitive impact on land markets. The reverse-modelling floor check is the binding numerical test inside this check.	Anti-competitive plan-making and land regulation policies (zoning and overlays). Plan zones that are below the network-supportable floor in identifiable parts of the network.

[22] The paper proposes one refinement worth carrying through. Building taller is disproportionately expensive per square metre once you go beyond a few storeys, so developers often will not build to the maximum the zoning permits. LCFA calculated against the maximum FAR can therefore understate the land cost developers actually face. Calculating LCFA at the heights developers are likely to build to, alongside the regulatory ceiling, gives the panel a more honest picture. Whether dwellings actually get built once land inputs are cheap is a downstream question the monitoring suite in Section 6 picks up.

Condition	Question the panel asks	How the panel tests it	What counts as failure
Economic substitutability (Value-aligned location)	Is capacity enabled where demand is strongest, or displaced to lower-value locations?	Maps the spatial distribution of zoning intensity against the spatial distribution of price evidence, using two indicators. The hedonic test maps where underlying demand for land is concentrated. LCFA tests whether regulatory permission is producing cheap or expensive land inputs to housing. Read together, hedonic shows where the market wants to be; LCFA shows whether the regulation is matching that demand.	LCFA stays flat or rises in high-demand zones, indicating the plan is not lowering land inputs to housing where the market wants intensity; or a mismatch between the hedonic test (demand) and LCFA (regulatory bite) shows the amount of upzoning allocated to low-demand zones; or LCFA reads benign in upzoned zones while the hedonic premium remains elevated, signalling the upzoning may not be sufficient.
Simultaneity	Are multiple development opportunities enabled concurrently, or sequenced in tranches that preserve hold-out option value?	Counts distinct greenfield areas where development can begin today without further plan change, plus concurrent intensification options across the city.	Stage-released supply with only one tranche active at a time, each tranche dependent on completion of the previous, specifically in relation to sequenced urban expansion (e.g. tranches of future urban zones).
Credible threat of entry	Is there enough alternative supply that an incumbent landowner faces a real risk of being undercut?	Two assessments in parallel: at the system level, the rural-urban boundary differential; at the local level, zone-adjacent price differentials testing whether competing intensification options exist next to constrained zones.	Sustained material RUB differential signals land use regulations restrict credible alternative supply; large zone-adjacent discontinuities signal no practical alternative for suppressed demand to flow to.

The four checks correspond directly to the four conditions set out in the CLM note, but the panel applies them ex-ante to a draft plan rather than ex-post to outcomes. The toolkit builds on the CLM note, with LCFA and hedonic land-value analysis joining the boundary and zone-adjacent differentials the note proposed. Together they let the panel take a plan apart in a structured way and produce a determinate finding: "this plan satisfies conditions 1 and 4 but fails 2 in this region and 3 across the city as a whole, for these specific reasons." That structure is what makes the review reproducible from one region to the next, and is what gives councils a clear agenda for the refinement step before ratification.

The second touch is full ratification by the same panel sitting in a determinative capacity. Once the council has refined its plan in light of the preliminary view, the panel ratifies or declines to ratify. The panel is making a qualitative determination that competitive conditions do or do not exist, in the

same way that the Commerce Commission determines whether airline alliances are workably competitive. The indicators tell the panel where the binding constraints are; they do not tell it how many hectares to release.

The two-touch structure gives councils the predictability they need. The first touch is advisory and gives them the information to refine. The second is determinative and gives them certainty once they are through. Both touches sit with the same standing panel, which avoids the institutional gap that would arise if ratification sat with a separate body and ensures the panel that holds the data and the analytical capacity is also the body making the determinative call.

6. Monitoring: How outcomes are tracked

Monitoring is the layer the existing CLM note already does most of the work on. The shift here is from treating it as a fail-safe to treating it as standing operational practice running continuously alongside an operative plan.

The mechanism is the price-cost indicator suite, not a single metric, set out in Section 5, which includes rural-urban boundary differentials, zone-adjacent differentials, land cost per floor area, and hedonic land-value analysis. These four can sit alongside other indicators that round out the picture, including catch-all measures such as the median multiple (the ratio of median house price to median household income).

The relevant analogy is the RBNZ's labour-market slackness indicator suite: a dashboard of complementary measures, none individually decisive but collectively showing whether the system is in a competitive state. The four-indicator suite developed in Section 5 fits this shape. Rural-urban boundary differentials test the extensive margin and the city-wide rent floor. Zone-adjacent differentials test the intensive margin and local suppression. Land cost per floor area (LCFA) is the cleanest within-zone test in upzoning contexts, where land values can rise even as the cost of land per unit of permitted floorspace falls.

These three indicators run on LINZ transaction data and can be processed at monthly or quarterly frequency, which addresses data-lag problems under the old RMA system. The fourth indicator, hedonic land-value analysis, does not run continuously on a dashboard, because it is a regression exercise the panel commissions at plan-review moments. In monitoring terms, the dashboard runs on the three quick ratios. The hedonic picture is refreshed at each region's annual review window in the rolling cycle, when the panel turns to that region for assessment.

If the government wishes to run capacity-based modelling alongside the price-based indicator suite during a transition period, so that councils have a familiar analytical reference while a new approach to planning emerges, the note's framework accommodates that, with one structural requirement: whatever the planning practice is (e.g., capacity modelling), it remains a non-binding input councils may use, but expert judgement with a competition lens is binding when it comes to determining land use regulation. That judgement operationalises the CLM conditions through a grading rubric on the prior operative plan and standing monitoring against the currently operative plan, drawing on a suite of price indicators and measures. For example, where a sustained material price differential persists, a council that meets its capacity targets is not in compliance with the deeper requirement that land markets be competitive.

Speed and frequency matter as much as the indicators themselves and developer right of action. The current ten-year plan cycle means today's interventions do not bind on today's market. They apply to the next cycle, which is unfortunate given the affordability damage already accumulated. Annual monitoring is needed even if the plan itself remains on a five-year cycle, with triggers to convert deteriorating indicators into action within the cycle. The CLM note's clause (j) panel is already a continuous-monitoring function in design.

The recommended cadence is an annual rolling cycle. The panel works through the urban-growth-active jurisdictions in turn, spending roughly one to three months reviewing each before moving to the next.

The Planning Bill 2025 signals that seventeen combined plans will be established nationally, one per region, replacing more than a hundred existing plans. Standing monitoring attention does not need to be spread evenly across all seventeen. It is concentrated on the roughly nine regions where competitive land market pressure is most acute (Auckland, Wellington, Christchurch, Hamilton, Tauranga, Queenstown-Lakes, Dunedin, Nelson-Tasman, Bay of Plenty), and the other eight regions

sit outside the standing rolling cycle. They would only enter the panel's active attention if indicators or referrals surfaced specific concerns.

Quarterly monitoring is not recommended as too frequent to add value above the noise. Twice per year could be an alternative.

The rolling annual cadence captures the speed needed to bind on the current cycle without becoming bureaucratic noise. The dashboard underneath the cycle updates monthly or quarterly from LINZ transaction data, so the panel arrives at each jurisdiction with up-to-date evidence rather than three-year-old valuation snapshots.

Within each region's annual review window, the operational rhythm is roughly seven weeks:

- The panel spends two weeks reviewing the plan and the indicator dashboard remotely.
- It then sits down with the council for one week to walk through the findings and the issues identified.
- The council has three weeks to consider the findings and refine its position.
- The panel returns for a one-week sit-down to confirm the council's response.

Seven weeks of attention per region per cycle fits within the one-to-three-month allocation the rolling cadence assumes. It leaves enough margin between regions for the panel to keep its standing data and analytical work moving, and gives councils a defined, predictable block of engagement rather than open-ended interaction. The same review-meet-refine-meet rhythm carries over naturally to the ex-ante two-touch process in Section 5, where the second meeting becomes the ratification touch rather than a follow-up confirmation.

Within the monitoring layer, two mechanisms convert deteriorating indicators into change without escalating to the exception layer:

- **Panel-confirmed system-level findings** trigger mandatory enablement under clauses (j), (m), and (p) of the CLM note. The council must adjust zoning to relieve the constraint the panel has identified.
- **Site-level developer rights of action** under CLM clause (h) trigger automatic zoning relief where price evidence demonstrates local suppression. The developer brings the price differential, the panel confirms it, and the zoning adjusts to a comparator zone. Both mechanisms operate within the council's plan cycle and do not require central-government override.

What monitoring cannot do, on its own, is force change in the cases where a council is determined to ignore findings, or where a shock arrives faster than a within-cycle response can catch. Those cases belong in the exception layer.

7. Exception: How the system responds to severe cases

The exception layer exists because monitoring alone cannot always force change. The system needs an override pathway in some situations, for example, where a council repeatedly fails to act on a panel finding; where indicators move sharply outside their normal range because of a shock, like a natural disaster; or where a major Crown investment creates a windfall opportunity that local politics is not willing to respond to. This layer activates only when triggered:

- **Central intervention through Urban Development Authorities** empowered to rezone and consent simultaneously where land markets are demonstrably uncompetitive. This is when a council repeatedly fails to act on a panel finding. The CLM note already proposes Urban Development Authorities (UDAs) in this role; the exception framing makes clear they are the fallback when the within-cycle mechanisms in Section 6 have not delivered.

- **Trigger-based requirements tied to major infrastructure funding** such as the illustrative example of the City Rail Link. If Auckland opens it without having upzoned anything along it, that would be, on any reasonable view, a planning failure. A standing rule that major Crown investment via the National Land Transport Fund (above a threshold, perhaps $100 million) triggers concurrent upzoning along the corridor within the funding cycle would close that loop. Value uplift along the corridor, captured through targeted benefit charges, should help fund the works. This makes the trigger fiscally self-supporting. The Crown investment enables the upzoning, the upzoning generates land-value uplift, and the benefit charges return a share of that uplift to the financing. This sits in the exception layer because it bypasses the council's own plan cycle when central government funding is on the table.

- **Shock-response with land use regulation flexibility** modelled on the post-Christchurch earthquake bespoke legislation, but built into the standing framework rather than reached for ad hoc. The motivation is that we have been seeing repeated positive demand shocks (population, income, and natural disasters with demand impacts) that the planning system has not responded to. The standing version is a fast-track mechanism that activates when indicators move sharply outside their range, rather than requiring a one-off Act of Parliament after each event.[23]

- **Ministerial directives** where a council demonstrates repeated and systemic inaction on findings. This is the highest escalation: a direct override of council planning authority. It needs to be available to keep the system credible, but the accountability architecture should be designed so it is rarely needed because the within-cycle mechanisms in Section 6 are doing the work.

The protocol for the exception layer would need development. Further work would also need to settle a range of questions, among others: What constitutes a sufficiently persistent failure? What counts as a shock? How is the threshold set for the trigger? And who initiates each mechanism?

Conclusion

The Planning Bill 2025 work programme needs to address two questions. First, whether price indicators are sufficient for system accountability. Second, what the practice of planning looks like once capacity modelling is no longer the accountability spine: predictions no longer determine what is provided through regulation.

This note has outlined a framework-level response to both questions.

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[23] A complementary element is the ex-ante identification of voidable rules: planning provisions that may be acceptable under business-as-usual conditions, where the grading rubric shows no flashing red lights, but that should be flagged in advance for suspension when shock-response is activated. Examples include rules prohibiting two kitchens in a single dwelling, minimum apartment sizes, or restrictions on accessory units, all of which constrain rapid housing response after an event without serving any externality-management purpose the shock has not already overtaken. Designating these rules as voidable in advance avoids the post-event legislative scramble that characterised the Christchurch response, and gives the shock-response mechanism something concrete to do at the moment of activation rather than only authority to act.

On the first, the indicator suite extends beyond the boundary differentials the CLM note relied on. Rural-urban boundary differentials, zone-adjacent differentials, land cost per floor area (LCFA), and hedonic land-value analysis catch different failure modes in the land market and are read together rather than against each other. The first three are quick price-based ratios that run as a continuous dashboard. Hedonic land-value analysis is a regression exercise the panel applies at plan-review moments.

The suite is operationalised through the four CLM conditions (legal availability, economic substitutability/value-aligned location, simultaneity, and credible threat of entry) which the panel applies as a structured set of checks against the plan, with the indicators supplying a robust evidence base. The same suite and the same four-condition structure carry through the accountability architecture. The suite, in turn:

- grounds the panel's grading rubric on the council's prior plan;
- underpins the preliminary-touch check on the draft plan; and
- is the standing monitoring instrument while the plan is in operation.

On the second, planning under a competitive logic still has substantive jobs to do. It plans corridors. It connects permitted intensity to infrastructure capacity through a credible financing nexus. It manages real and material externalities through standardised template zoning. What changes is the mode of accountability.

Capacity modelling, which tried to do plan-design, monitoring, and exception-handling at once and slowly, is replaced by three distinct operational domains running on different cadences: *ex-ante plan design* at the start; *ex-post monitoring* continuously while the plan is in operation; and *exception-handling* when monitoring shows persistent failure or a shock arrives. An independent expert panel sits across all three, supplied with standing data and analytical capacity.

The framework does not foreclose capacity modelling. Where the government wishes to retain it during a transition period (or longer), it can sit as a non-binding analytical input councils may use, with expert judgement on the indicator suite (the grading rubric on the prior operative plan, and standing monitoring against the currently operative plan) binding when it comes to determining land use regulation. The distinction between input and determinant is what allows the framework to accommodate the planning practice that ultimately emerges.

Annex A: Theoretical grounding for the independent expert panel

The accountability architecture in Sections 5–7 places significant weight on an independent expert panel. It produces the grading rubric, runs the preliminary-touch and ratification reviews, holds the standing monitoring function, and triggers exception-layer mechanisms. The body of this note assumes the panel is well-designed without specifying what well-designed means. This annex closes that gap by drawing on the framework Paul Tucker sets out in *Unelected Power* (2018) for delegating power to independent policy-making entities that either operationalise or bypass direction from democratically elected governments.[24]

The annex covers four matters: credible commitment as the rationale for the panel (A.1); the panel's design tested against Tucker's five precepts (A.2); the institutional home analysed through Tucker's multi-mission criteria (A.3); and the exception layer framed as Tucker-style political override (A.4).

A.1 Credible commitment as the rationale for the panel

The deepest argument for the panel's independence from political direction rests on the time consistency problem. The panel must also be independent of the councils whose plans it assesses, which follows from basic conflict-of-interest logic. Both axes have empirical bite.[25]

Councils that draft and operate plans face systematic incentives to under-zone, because the political constituencies they answer to are predominantly existing landowners who benefit from scarcity rents. The policy ministries that would otherwise host the panel currently — the Ministry of Housing and Urban Development (HUD), the Ministry for the Environment (MfE), and the Department of Internal Affairs (DIA) on the local government side, and prospectively the Ministry of Cities, Environment, Regions and Transport (MCERT) — remain culturally invested in the planning paradigm they have stewarded.

A council that announces a competitive land market policy and then deviates from it through restrictive plan-making is not behaving anomalously; it is responding rationally to its incentives. This

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[24] Paul Tucker, *Unelected Power: The Quest for Legitimacy in Central Banking and the Regulatory State* (Princeton University Press, 2018), https://press.princeton.edu/books/paperback/9780691196305/unelected-power?srsltid=AfmBOoou8f9U796szRUQ0WV7dPqtD6ht83EmQb4ENjCqKKmNeN15Yief.

[25] The panel's independence operates on two axes that should be distinguished. The first is independence from the parties whose decisions the panel reviews, which here means independence from the councils whose plans the panel assesses. This is the conflict-of-interest sense of independence: any reviewer must be insulated from the body reviewed for the review to be credible. The second is independence from day-to-day political direction, in the sense Tucker (2018) develops for trustee agencies such as the Reserve Bank and the Commerce Commission. Insulation from the political principal (Ministers) is what allows the agency to hold to a commitment that the principal would otherwise have incentives to deviate from. The credible-commitment argument in this annex addresses the second axis. The first axis is real but does not require Tucker's framework: it follows from the basic requirement that a reviewer not be captured by the reviewed body, and is satisfied by the panel sitting outside MCERT and outside the councils it assesses. Tucker also recognises a third gradation of insulation, between executive agencies (controlled by Ministers), semi-independent agencies (insulated from the executive but subject to legislative control via appropriations), independent agencies (insulated from both executive and legislature by statute), and trustee agencies (highly insulated from day-to-day politics). The panel proposed in this note sits at the trustee end of that gradation, with its competence grounded in statute and its political accountability running to a parliamentary select committee rather than to a Minister directly. Decisions about the precise statutory form (Crown entity, independent agency, or trustee body) are downstream of the credible-commitment argument and would be settled in legislative design.

is the textbook time inconsistency problem Tucker identifies. A decision-maker prefers to take a future action now (zone for competitive markets) but finds it optimal to deviate later (restrict supply once existing landowners' interests are at stake).

The classical solution is delegation to an independent agency that is bound to the announced policy and cannot be deviated from by the original decision-maker, or persuaded by the regulated bodies (councils) whose decisions it reviews. The panel performs this role for the planning system. Its independence is the commitment device that makes the system's promise of competitive land markets credible.

The credible-commitment frame produces two requirements for the panel: it must be insulated from the policy environment it is disciplining, and reputationally constrained by the indicators that make its performance transparent and assessable.

Insulation from the policy environment

HUD, MfE, and DIA are formally policy principals sitting above the planning system, not part of it in the operational sense. But through cultural capture, they have come to broadly operate within the same paradigm as the bodies they are meant to oversee, and have aligned closely with them as a result. They are staffed substantially by former council planners and committed to the planning paradigm those planners helped build. A body in that position cannot credibly commit to a policy that contradicts the paradigm it has internalised.

MCERT, which absorbs these functions from July 2026, inherits the personnel and culture by transfer (as it was the case when HUD was established) and so cannot be assumed to have any independence from the planning paradigm at launch.

The same insulation requirement extends across time. Ministers and governments turn over, and a future Minister less aligned with the competitive-markets paradigm could direct policy ministries to reinforce older paradigms or appoint officials whose preferences pull in that direction. The panel's insulation from day-to-day political direction is what allows the commitment to survive principal turnover.

Reputationally constrained by monitorable indicators

Tucker's analysis shows delegation works only where society can frame what it wants in clear and monitorable form, transferring reputational hazard to the agent if it shirks. The price-cost indicator suite set out in Section 5 is precisely such a monitorable framing. It allows the panel's performance to be judged by external observers and therefore allows its independence to be reputationally constrained rather than absolute. The indicators are not just diagnostic instruments. They are the commitment device that makes the panel's independence and justifications for judgment calls legitimate.

A.2 The panel against Tucker's design precepts

Tucker sets out five general design precepts for independent agencies in Chapter 6 (*Design Precepts for How to Delegate to Independent Agencies*) of his book *Unelected Power*.[26] The panel proposed in this note can be tested against each.

[26] Tucker stress-tests his five general design precepts against political values in Part II of his book (Chapters 8–12).

Clear purposes and powers

Primary legislation should set the agency's high-level goals, its independence, and constraints reflecting society's settled preferences. Goals should be monitorable. Multiple objectives should be hierarchical to avoid the agency weighing them according to personal preference. The accountability architecture as drafted satisfies this: the panel's goal is the determination of competitive urban land market conditions, the constraints are the four CLM conditions, and the constrained-optimisation logic in Section 4 hierarchically orders enabling above environmental and nuisance management. The weighting can be calibrated by national direction, as Section 5 discusses, but the hierarchical ordering itself is fixed in the framework.

Processes and procedure

Primary legislation should specify the processes the agency must follow, including procedures for appointments, rule-making consultation, due process for adjudicative decisions, and the giving of reasons. The two-touch review process in Section 5 begins to address this for plan reviews; the seven-week regional cycle in Section 6 begins to address it for monitoring. The activation rules for the exception-layer mechanisms in Section 7 remain to be developed, and Tucker's framework would say this development is required before the accountability architecture is complete.

Operating principles

The agency should publish the high-level principles guiding its assessment of risks, costs, and benefits, and the application of its powers. Ideally the principles are agreed unanimously by the panel; minority votes should make alternative principles explicit. The CLM research note and the four-condition operationalisation in Table 6 supply the substantive content of such principles. The panel should publish its operating principles formally on appointment and review them periodically.

Transparency and accountability

Timely transparency in the agency's reasoning is intrinsic to credible commitment. The agency must be politically accountable to the legislature that delegates to it, and the legislature must have incentives to oversee the regime properly. The annual rolling cycle of regional reviews, with published findings, is consistent with this. A standing reporting line to a parliamentary select committee with jurisdiction over urban policy would close the political accountability loop.

Emergency provisions

Political principals should lay down a process for decision-making when the agency's powers or contingency plans are exhausted. Suspensions of independence should be effected under legal power transparently. This is the conceptual home of the exception layer in Section 7, which A.4 returns to.

A.3 The institutional home: a multi-mission analysis

Section 5 sets out two institutional options: ComCom hosting the panel with InfraCom supporting (Option A), or InfraCom hosting the panel with ComCom supporting (Option B), and concludes that on balance InfraCom is the stronger candidate. Tucker's framework provides analytical traction on the choice that the body of the note does not develop.

Tucker is sympathetic to the principle that an agency should pursue one mission, in line with the New Public Management preference and the Tinbergen rule of one instrument per target. Both Option A and Option B add a mission to an existing agency. ComCom would add urban land market assessment to its existing competition-determination work. InfraCom would add a determinative

competition-assessment role to its existing infrastructure advisory function. Either way, the panel becomes a multi-mission addition.

Tucker offers four criteria for when multi-mission arrangements are acceptable: mission interdependence, common information bases, common analytical methods, and reliance on common scarce human capital. The two options can be compared against each.

Mission interdependence

The panel's substantive work is the assessment of how zoning interacts with infrastructure capacity to enable or suppress competitive land markets. This is at the centre of InfraCom's existing remit. The reverse-modelling infrastructure floor, the severity-based constraint weighting, the data flows on network capacity and infrastructure delivery scheduling, and the standardised e-plan all sit naturally inside the infrastructure-land-use nexus that InfraCom already works in. ComCom's existing work, Part 4 utility regulation, and merger reviews shares the workably-competitive-market reasoning the panel applies but does not share the substantive subject matter. On this criterion, InfraCom has stronger interdependence.

Common information bases

InfraCom already holds or has natural access to the network capacity data, infrastructure delivery schedules, and infrastructure-land-use evidence the panel will need. ComCom does not currently hold this information and would need to build the data infrastructure from scratch. On this criterion, InfraCom is the stronger fit.

Common analytical methods

Workably-competitive-market reasoning is genuinely shared between ComCom's existing remit and the panel's work, which is the strongest argument for Option A. ComCom has also engaged with land use directly through its market studies, most visibly in the supermarket study's analysis of restrictive land covenants, so the analytical fit is stronger than a pure competition-versus-planning framing would suggest.

The substantive analytical methods the panel uses (zoning capacity, transport modelling, infrastructure financing, spatial economics, and hedonic price modelling of land values) are nonetheless closer to InfraCom's analytical toolkit than to ComCom's market-studies repertoire.

The competitive-market reasoning can be supplied through secondment from ComCom, as Option B contemplates; the substantive analytical infrastructure is harder to second. The hedonic technique in particular sits within the spatial-economics and urban-modelling tradition InfraCom has developed; the senior expertise the panel would draw on for this work is currently located there.

Common scarce human capital

New Zealand has a limited supply of urban land economists, infrastructure-land-use specialists, and transport-modelling experts capable of working at the depth the panel requires. InfraCom currently employs more of this capability than ComCom does. ComCom would need to recruit substantively new expertise; InfraCom would need to extend the capability it already has.

On three of the four criteria, Tucker's framework supports Option B. The fourth criterion is genuinely closer between the options, and it is the criterion on which Option A's case rests. The trade-off is therefore between substantive subject-matter fit (InfraCom) and procedural-institutional fit with competition determination (ComCom). Tucker's framework would say substantive fit dominates because procedural fit can be addressed by drafting: clear purposes and powers in primary legislation can give InfraCom a determinative competition-assessment function regardless of its

current statutory framing, whereas substantive analytical capability is harder to manufacture. This is consistent with the body's preference for Option B.

A residual concern Tucker would flag is the multi-mission risk that the determinative competition-assessment role inside InfraCom could conflict with InfraCom's existing advisory function. The conflict is manageable. The two functions operate on different products (the panel's determinations are binding outputs; InfraCom's advice is non-binding) and can be procedurally separated within the agency. The design should make the separation explicit, both in primary legislation and in the agency's published operating principles, so the panel's independence is not compromised by InfraCom's advisory relationships with the bodies the panel assesses.

A.4 The exception layer as political override

Section 7 sets out four exception-layer mechanisms (UDA intervention, NLTF-tied upzoning triggers, shock-response flexibility, and ministerial directives). The activation rules for each remain under-developed. Tucker's framework can help here because it supplies criteria.

Tucker distinguishes two kinds of political intervention in an independent agency's regime. *Political override* substitutes the political principal's judgement for the agency's on a specific decision. *Special political approval* allows the agency to depart from its monitorable standards in defined circumstances on the political principal's authorisation. Both should be transparent, subject to legislative scrutiny, constrained by clear criteria, and rare in practice.

Urban Development Authority (UDA) intervention is closer to political override. The Crown body substitutes its zoning and consenting judgement for the council's. The criteria for activation should be:

- a panel finding of persistent failure that the within-cycle mechanisms in Section 6 have not corrected;
- Crown investment or strategic interest sufficient to justify intervention at the lower level;
- transparency of the criteria invoked; and
- parliamentary reporting of each invocation.

NLTF-tied upzoning triggers are closer to special political approval, structured as a standing rule. Crown investment above a threshold along a corridor would automatically trigger concurrent upzoning along the corridor within the funding cycle. The criteria are essentially the threshold (currently illustratively $100m) and the corridor radius. Tucker's framework would suggest these criteria should be set by primary legislation, not by ministerial discretion, so the trigger is genuinely automatic rather than discretionary at each application.

Shock-response flexibility is the standing analogue of post-Christchurch bespoke legislation. Tucker's emergency-provision logic applies. It holds that the political principal lays down the process for decision-making in such circumstances. Suspension of normal arrangements is effected under legal power transparently, and any ambiguity about whether the panel's independence is preserved or suspended is resolved in advance. The accountability architecture should specify which exception-layer activations preserve the panel's role and which suspend it.

Ministerial directives are the last resort and should be the rarest of the four mechanisms. Tucker's logic suggests they should require:

- a sustained pattern of panel findings the council has not acted on;
- Cabinet-level decision rather than individual ministerial discretion;

- parliamentary reporting; and
- sunset provisions, so a directive does not become a standing constraint.

A.5. Legislative form and statutory design

The body of this note settles the architectural questions (what the panel does, how the indicator suite operates, how the review cycle runs) and the institutional-home question (the preferred host is InfraCom). The legislative form of the panel sits one level below those questions and would need to be settled in the drafting of the Planning Bill 2025 or accompanying legislation.

Several questions are at stake:

- Whether the panel is a statutory function created by primary legislation or an administrative arrangement within the chosen host.
- What statutory powers it requires to make determinative findings binding on councils, and what consequences attach when councils fail to comply.
- How members are appointed, on what terms, and with what dismissal protections.
- How the panel's accountability runs to Parliament, including the reporting line and any select committee oversight.

Tucker's framework provides the principles against which these design choices would be made. Design Precept 1 (clear purposes and powers) sets the requirements for the primary legislation: the panel's high-level goals must be specified in statute, its independence must be protected, and the constraints reflecting society's settled preferences must be embedded in the empowering provisions. Design Precept 2 (processes and procedures) sets the requirements for the panel's operating rules: appointment processes that ensure expert independence, rule-making consultation procedures, due process for the panel's determinative findings, and the giving of reasons.

The credible-commitment argument in A.1 carries through here too. The panel's independence is the commitment device; the legislative form is how that independence is anchored in law. A weak legislative form (administrative arrangement, ministerial appointment with broad dismissal powers, no statutory protection of the panel's findings) would undermine the credible-commitment function even if the architectural design was sound. A strong legislative form (statutory body with fixed-term protected appointments, determinative powers, parliamentary accountability) is what makes the architecture work in practice.

These choices are downstream of the architectural and institutional-home questions this note addresses and would benefit from being developed alongside the legislative drafting process.

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