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WITH HON. CHRIS BISHOP

WELLINGTON

CHAMBER OF COMMERCE



ALLEN + CLARKE

Beehive to Business with the Honourable Chris Bishop

***Allen + Clarke* Summary of Key Takeaways**

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ALLEN + CLARKE



ALLEN + CLARKE

+64 4 890 7300

office@allenandclarke.co.nz

www.allenandclarke.co.nz



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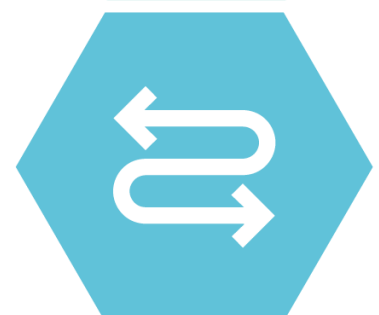


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Please note: This is *Allen + Clarke's* interpretation of the key messages from the session. Whilst we aim to reflect the discussion as accurately as possible, some parts may have been interpreted differently to other attendees and the intended messages of the speaker.

Foreword

In a wide-ranging address to Wellington business leaders, the Honourable Chris Bishop outlined the Government's comprehensive approach to addressing New Zealand's housing crisis. The Minister for Housing positioned housing reform not merely as a social issue, but as the cornerstone of the Government's economic strategy, with direct implications for business costs, investment patterns, and regional development.

Minister Bishop's comments revealed significant policy shifts ahead, including new central government powers to override local planning decisions and fundamental changes to how social housing is delivered. His message was clear: the Government will no longer tolerate planning systems that constrain economic growth, and he stated the "time for excuses is over" and the "culture of yes starts now."

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Housing as a driver of economic growth

Key points

- Government spends approximately \$5 billion annually on housing subsidies – equivalent to the cost of "Eight Transmission Gullies each and every year."
- Over a four-year budget period, housing subsidies cost the equivalent of 32 Transmission Gullies in infrastructure investment.
- Cities drive productivity growth, with evidence showing "bigger is better" for economic outcomes.

- New Zealand's chronically low productivity rates can be improved "Simply by allowing our cities and towns to grow up and out."
- Fixing the housing crisis will redirect investment away from property speculation into productive sectors.

Summary of the discussion

Minister Bishop emphasised that housing sits at the heart of New Zealand's economic challenges, arguing that restrictive planning has created a cascade of problems flowing through the entire economy. He highlighted the staggering cost of housing subsidies, describing the annual \$5 billion spend as a direct result of planning system failures that artificially inflate house prices and rents.



He considers urban growth as essential for productivity improvements, noting that "growing cities means more opportunities for jobs, for higher wages and for a better future." He stressed that addressing the housing crisis would simultaneously improve cost of living, reduce government expenditure, and unlock economic potential by allowing productive investment rather than property speculation.

“We are not willing as a government to let a single line in a district plan hold back millions or billions of economic potential.”

Actions for organisations in construction and development:

- Prepare for streamlined planning processes and standardised zoning that will reduce compliance costs.
- Engage with the Going for Housing Growth consultation process running until 17 August.

Actions for organisations outside these sectors:

- Consider how housing costs affect workforce attraction and retention strategies in high-cost urban centres.
- Evaluate business location decisions in light of upcoming housing supply increases in key employment areas.

Going for housing growth policy

Key points

- Taking a three-pillar approach: freeing up land supply, improving infrastructure funding, and creating incentives for growth
- New housing growth targets will require councils to zone for 30 years of housing demand using standardised high-growth projections from Statistics New Zealand
- Proposed 20% contingency margin on top of growth projections to ensure oversupply rather than undersupply
- New Zealand currently has over 1,400 different planning zones compared to Japan's nine zones for the entire country
- Standardised zoning will turn plan-making into a "paint-by-numbers exercise for councils."

Summary of the discussion

The Minister outlined ambitious reforms designed to fundamentally restructure how New Zealand plans for housing growth. The proposed standardised zoning system aims to eliminate the complexity that currently sees individual cities like Christchurch operating with over 250 different zones. more."

“We can't legislate to fast forward time, sadly, but we also can't afford to wait.”

Under the new system, councils will lose discretion about growth projections and must use the same high-growth scenarios, with government setting technical requirements for each standardised zone while councils choose where to apply them. "We'd rather have an oversupply of houses rather than an undersupply," Bishop stated, emphasising the Government's commitment to ending artificial scarcity.

The reforms include removing councils' ability to impose rural-urban boundaries, with the Minister arguing these artificially "force up our land prices and therefore house prices by pretending scarcity." The system aims to let economists rather than planners drive development decisions.

Actions for organisations in planning and infrastructure:

- Prepare for significant changes to planning processes and zone classifications.
- Engage with the consultation process running until 17 August.

Actions for organisations outside these sectors:

- Monitor regional growth projections and infrastructure planning to inform location decisions.
- Consider opportunities from increased development capacity in previously constrained areas.

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Local government and planning reform



Key points

- Councils took nearly five years to implement National Policy Statement on Urban Development and Medium Density Residential Standards
- Christchurch City Council "outright defied its legal obligations, voting to ignore the MDRS altogether"
- Auckland Council has used "every excuse in the book to stall progress" on housing capacity increases.
- Wellington District Plan changes were completed successfully, "significantly raising development capacity in Wellington."
- Council planners frequently micromanage development details including "where the planter boxes on the driveway will be located."

Summary of the discussion

Minister Bishop delivered sharp criticism of local government's role in constraining housing development, describing councils as "one of the largest barriers to housing growth in New Zealand." He cited examples of planning departments becoming "a law unto themselves," with planners attempting to control minute details of housing developments far beyond legitimate planning considerations.

The Minister praised Wellington City Council as an exception, acknowledging they "got it right" on housing despite other criticisms. However, he expressed frustration with inconsistent and

subjective decision-making, sharing examples of the same council giving contradictory planning advice to developers about front door placement. Under the proposed new planning system, considerations "internal to a site or internal to a house will not be allowed to be taken into consideration," focusing instead on genuine externalities. This represents a fundamental shift from current practice where subjective aesthetic judgements frequently override housing supply considerations.

“If local councils don't have the courage to make the right decisions, we will do it for them.”

Actions for organisations in local government and planning:

- Review current planning processes to identify areas of subjective discretion that will be eliminated.
- Prepare for transition to new planning system by identifying provisions likely to be modified.

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Actions for organisations outside these sectors:

- Document specific examples of planning delays or inconsistencies affecting your operations
- Prepare for faster, more predictable planning processes that may accelerate development timelines.

New regulatory powers for central government

Key points

- Cabinet has agreed to new regulation-making powers allowing government to modify or remove local council plan provisions that negatively impact economic growth
- Minister must conduct investigation and engage with local council before exercising these powers
- New powers are interim measures until the new planning system takes effect in 2027

- Powers will be added to the RMA Amendment Bill currently before Parliament, expected to pass within weeks
- Government justified intervention based on bearing the \$5 billion annual cost of housing subsidies resulting from planning failures.

Summary of the discussion

Minister Bishop announced significant new central government powers to override local planning decisions, marking a fundamental shift in the balance between local and national authority over land use planning. The powers represent an acknowledgement that the current system's "devolution of ultimate power to local authorities just has not worked."

The Minister justified the intervention by highlighting central government's financial stake in planning outcomes, noting that taxpayers bear the cost of planning system failures through housing subsidies. He emphasised the powers would be used judiciously, requiring investigation and consultation, but made clear the Government's determination to prevent local decisions from constraining national economic interests.

These powers represent a bridge to the more comprehensive planning system reforms scheduled for 2027, when standardised zoning and mandatory growth targets will reduce the need for central intervention.

“Central government has an intense interest in the way councils plan and allow their cities to function.”

What's on next?

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Actions for organisations in local government:

- Review existing district plan provisions that might conflict with economic growth objectives.
- Strengthen engagement processes with central government on planning matters.

Actions for organisations outside this sector:

- Identify specific district plan provisions that constrain your business operations for potential government review.
- Engage proactively with both local and central government on planning matters affecting your sector.

Social housing system redesign

Key points

- Government operates 78,000 to 80,000 social houses through Kāinga Ora.
- 55% of people on the housing register need one-bedroom houses, but only 12% of Kāinga Ora stock are one-bedroom units
- People with highest need (A20 ranking) wait longest for housing – between 450 and 600 days on average
- Budget 2025 collapses 18 different housing funds into a single flexible fund.
- New approach focuses on "right house, right place, right people" based on data and evidence.

Summary of the discussion

Minister Bishop outlined fundamental changes to how government delivers social housing, highlighting significant mismatches between what people need and what the system provides. He described the current approach as "totally insane," with the most vulnerable people waiting longest for housing despite being assessed as having the highest need.

“It is complicated from a policy point of view, but it's also not that complicated ... people in the most need should get into a house first.”

The Minister criticised the previous government's approach of "chucking hundreds of millions of dollars at housing and housing subsidies" without strategic targeting. The new flexible fund approach will publish investment priorities regionally and work directly with community housing providers, iwi, and other organisations to deliver appropriate housing where it's needed.

The changes represent a shift from press release-driven fund creation to evidence-based investment, with clear data on regional needs and housing types driving funding decisions rather than providers trying to fit projects into arbitrary fund constraints.



Actions for organisations in social and community housing:

- Prepare for new funding arrangements under the flexible fund system that will prioritise data-driven regional needs assessment.
- Strengthen evidence-gathering processes to demonstrate alignment with "right house, right place, right people" criteria.

Actions for organisations outside these sectors:

- Consider partnerships with community housing providers as government increases focus on diverse delivery models
- Evaluate opportunities to support social housing objectives through corporate social responsibility or development partnerships



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