

**Chairperson and Committee Members**  
STRATEGY AND POLICY COMMITTEE

24 NOVEMBER 2016

Meeting Status: **Public**

Purpose of Report: For Information

## **NATIONAL POLICY STATEMENT - URBAN DEVELOPMENT CAPACITY**

### **PURPOSE OF REPORT**

- 1 This report is to advise the Committee of the National Policy Statement on Urban Development Capacity and the implications (as currently known) for Council.

### **DELEGATION**

- 2 The Committee has the delegation to consider this matter under Section B.1 of the Governance Structure and Delegations *'This Committee will deal with all strategy and policy decision-making that is not the responsibility of the Council. Key responsibilities will include:*
  - *Signing off any submission to an external agency or body'.*

### **BACKGROUND**

- 3 The National Policy Statement on Urban Development Capacity (NPS) was approved by Cabinet on 31 October 2016, gazetted 3 November 2016, and will take effect on 1 December 2016.
- 4 Council made a submission (attached) on the proposed NPS. The first tranche of implementation guidance has been released, and the Ministry for the Environment (MfE) is running a symposium in late November in Auckland on the NPS. One Council staff member is attending. We will have more clarity about the implications for Council as guidance rolls out and we get further information from MfE.
- 5 The overall purpose of the NPS has not changed significantly since it was released as a draft for discussion, although the structure has changed a little.
- 6 The NPS focuses on four components:
  - a) Outcomes for planning decisions
  - b) Evidence and monitoring to support planning decisions
  - c) Responsive planning
  - d) Coordinated planning evidence and decision making.
- 7 Council is required to:
  - ensure we have sufficient development capacity over the short, medium and long term (including zoning and servicing with development infrastructure)
  - satisfy ourselves that "other" infrastructure is likely to be available (see definitions below).

- undertake housing and business land capacity assessments every three years
- monitor a range of indicators, report quarterly, and
- respond where that monitoring shows an issue in the capacity of supply.

## SIGNIFICANT CHANGES

- 8 The definition of urban area has been removed from the NPS. It now relies on the definition provided by Statistics NZ (SNZ), which identifies Kāpiti as an urban area.
- 9 Kāpiti continues to be identified as a medium growth area. The definition of medium growth area has been amended to reference the SNZ definition of urban area, and for that area to be growing by 5% and 10% between 2013 and 2023 based on SNZ medium term projections. These projections will be updated in December this year. Our growth is currently at the lower end of the 'medium' scale.
- 10 The definition of 'demand' has been amended to include "projected visitor accommodation growth" in relation to the demand for dwellings. It is unclear how this amendment arose and quite what it requires in the way of monitoring.
- 11 A new definition of 'other infrastructure' has been included to reference matters such as open space, community infrastructure, social infrastructure and the like.
- 12 A new definition of 'urban environment' has been included to reference a broader urban area irrespective of local authority boundaries.
- 13 A new policy requires local authorities to be satisfied that there is likely to be 'other infrastructure' (refer definition above) available to support urban development.
- 14 Housing and business land assessments now need to reference Long Term Plans, Infrastructure Strategies and Regional Policy Statements in assessing development capacity.
- 15 In preparing housing and business land assessments, councils now need to seek and use the input of iwi authorities and significant land owners, in addition to infrastructure providers, the development sector and social housing providers as originally proposed. "Significant landowners" is not defined, and the implications are not yet clear.
- 16 The range of indicators to be monitored has been simplified. This may reduce compliance costs and provide flexibility in how it is achieved. It should also allow for a simpler process to automate the process as much as possible (we will be pushing for central leadership in this regard). We will know more once implementation guidance is available from MfE.
- 17 There remain policies that are only applicable to high growth areas, however the NPS now encourages medium growth areas such as Kāpiti to give effect to these policies also. These policies require:
  - Regional councils to set minimum targets for sufficient, feasible development capacity for housing relevant to the housing assessments undertaken.
  - Regional councils to amend their regional policy statements to give effect to the policy setting targets.

- Territorial authorities (TA's) to set minimum targets for sufficient, feasible development capacity for housing as a portion of the regional minimum target.
- If the regional target is revised, TA's to revise theirs.
- TA's to amend their District Plans to include these targets (without going through the plan change process).
- Local authorities to produce a future development strategy demonstrating capacity over the medium (3-10yr) and long (10-30yr) term.

## RESPONSES TO OUR SUBMISSION

- 18 Council's submission sought the addition of environmental, cultural and natural hazard constraints, as well as social infrastructure, to Policy PA3. This has been added (especially with the definition of "other infrastructure").
- 19 Council's submission suggested the requirement to monitor quarterly or as frequently as possible may be too frequent. Reference to 'as frequently as possible' has been removed, but the quarterly requirement has been confirmed.
- 20 Council's submission urged MfE to ensure monitoring requirements were simplified and not cost prohibitive. There have been a number of changes on this front, particularly to Policy PB6 which has simplified requirements.
- 21 Council's submission urged MfE to delete reference to requiring councils' collaboration and agreement on data collection and information, this has been reflected in Policy PD3 to "encourage collaboration and cooperation to agree".
- 22 Council's submission requested that the requirement for customer focussed consenting processes (relating to increasing development capacity) should be deleted. This has been altered to "integrated and coordinated consenting processes that facilitate development" (Policy PC4).

## IMPLEMENTATION

- 23 Key implementation milestones are:
  - Objectives and policies relevant to decision makers apply immediately – this will be relevant to our resource consents team.
  - The monitoring requirements applicable to medium and high growth areas apply within 6 months.
  - Using indicators of price inefficiency (Policy PB7) is required by 31 December 2017.
  - If (after the review in December) we remain in a medium growth category, we will need to complete our capacity assessments by 31 December 2018.
- 24 During the NPS discussion/feedback period key planning staff from Wellington councils formed a discussion group. This group will work closely in planning for the implementation of the NPS and staff are meeting in the next month to discuss the work required.

## CONSIDERATIONS

### Policy considerations

- 25 Implementing the NPS will impact on a number of Council's plans, policies and strategies including the development contributions policy, infrastructure strategy, Long Term Plan, Annual Plan, and District Plan.
- 26 The extent of these implications are not yet clear, but will become clearer as MfE guidance and information is disseminated over the next few months.

### Legal considerations

- 27 The NPS must be given effect to immediately. Not giving effect to it raises the potential for legal challenge of Local Government Act (LGA) and RMA planning decisions (both plan and resource consent).

### Financial considerations

- 28 Staff are still working through the financial and resourcing implications but early indications are that implementing the NPS could cost around \$300,000 over the 17/18 and 18/19 financial years to complete the evidence based studies alone.
- 29 A business case will be submitted to the 17/18 Annual Plan outlining the financial considerations in more detail. Reprioritising other work will be considered as part of these Annual Plan considerations.

### Tāngata whenua considerations

- 30 Implementing the NPS will require working closely with our Treaty partners through Te Whakaminenga o Kāpiti, particularly in considering any planning response (eg plan change to release land for development).
- 31 Staff's preliminary view is that this NPS gives even more importance to progressing Iwi Management Plans for our three partner iwi.

### Publicity

- 32 No publicity is proposed in relation to this issue.

## RECOMMENDATIONS

- 33 That the Committee notes:
  - a) The Gazetting of the National Policy Statement on Urban Development Capacity.
  - b) Implications of the NPS will become more apparent when guidance and communication from the Ministry for the Environment is provided.
  - c) Staff will report back to the Committee once those implications are more clearly known.

<b>Report prepared by</b>	<b>Approved for submission</b>	<b>Approved for submission</b>
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## **ATTACHMENTS**

- Appendix 1    KCDC Submission on Proposed National Policy Statement Urban Development Capacity
- Appendix 2    National Policy Statement Urban Development Capacity 2016

15 July 2016

Hon Dr Nick Smith  
Minister for the Environment and Minister for Building and Housing  
C/- NPS Urban Development Capacity  
Ministry for the Environment  
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Dear Hon Dr Smith

***Kapiti Coast District Council Submission on the Proposed National Policy Statement for Urban Development Capacity***

Kapiti Coast District Council (the Council) appreciates the opportunity to make a submission on the Proposed National Policy Statement for Urban Development Capacity (Proposed NPS).

At a high level, the Council supports the intent of the Proposed NPS. In particular, the Council supports a Proposed NPS that emphasises the need for infrastructure to be available to support growth, and the need for anticipated growth to be aligned with the availability of suitably zoned and serviced land. Moreover, the Council agrees that understanding the consequences of planning instruments on demand for development capacity is an important role for councils.

A range of measures are needed to address the issue of development capacity. The Proposed NPS will be a useful tool among a suite of tools councils can use in managing development pressure. The Proposed NPS will also assist councils to communicate to their communities about housing affordability, thereby improving the quality of understanding of development processes and the market.

The Council's submission comments on the intended and unintended consequences of the Proposed NPS. In doing so, the Council supports in principle the submissions made by Local Government New Zealand (LGNZ) and Greater Wellington Regional Council (GWRC).



## ***Concerns with the Proposed NPS***

### **1. Zoning is a small contributor to housing availability and housing affordability**

The Council is concerned that the Proposed NPS places too much reliance on rezoning for land availability in relation to house or property prices. We consider it is fundamentally a flawed premise that solely rezoning land for residential development will improve affordability without the use of a range of non-market mechanisms in combination with rezoning. The Proposed NPS assumes if there is sufficient land available for development, developers will 'flood the market' with developable sections, which will in turn reduce the costs of those sections. This assumption does not, in the Council's view, follow basic supply-demand logic where developers are generally seeking to maximise economic benefits from developing land, and therefore release land to the market at a rate to achieve this goal.

The market, by its very nature, will seek to balance supply and demand and the Council sees a need to be aware of land-banking and staged release by landowners to retain a price point. Land developers and landowners are in control of the end-release of land and Councils are, at present, unable to compel or require them to develop their land and release it to the market.

Developers are also free to apply restrictive private covenants to their land to retain a sense of 'exclusivity' in their development. These covenants frequently increase the cost of lot development by requiring specific building styles or materials or prohibiting cheaper forms of housing. In addition, developers often provide infrastructure to new developments that has ongoing higher costs to communities to maintain and/or upgrade. Therefore, while the initial housing may be affordable, the cost of living in the developments is increased.

Unless mechanisms are introduced that give the ability for Councils or 'Urban Development Authorities' to acquire and release held land, then supply constraints will not be solved by the mechanisms currently set out in the Proposed NPS.

### **2. Policy PA3 requires a more holistic focus**

Policy PA3 sets out a number of matters decision makers must recognise and provide for, or have particular regard to, when considering the effects of urban development. The Council is concerned that the matters set out in Policy PA3 are focused specifically on housing and business capacity and do not consider wider environmental issues, such as ecological, cultural or natural hazard constraints. Neither do they consider development capacity in the context of the need for social infrastructure. The relationship of development capacity and residential development to requirements for education facilities, health services, libraries, parks and access to public transport is not given significant consideration in the Proposed NPS.

The Council is also concerned that there is no guidance provided on balancing the requirements of the Proposed NPS with the requirements under Part 2 of the Resource Management Act (or indeed the requirements of other instruments such as the NPS Freshwater or NZ Coastal Policy Statement). The tension is particularly evident in terms of the balance required between section 5(2) matters such as enabling people and communities to provide for their social and economic wellbeing, and corresponding section 5(2) matters such as enabling them to provide for their cultural wellbeing and health and safety. Overlaying those tensions is the section 5(2)(c) concern with avoiding, remedying or mitigating adverse environmental effects.

A useful development appraisal tool that helps planners balance considerations regarding affordable housing against other planning obligations can be found on this UK Government website <https://www.gov.uk/government/publications/development-appraisal-tool>.

### **3. Objective OB1 and Policy PB3 - Commercial Feasibility Assessments**

Policy PB3 requires councils to take into account current physical and commercial feasibility of development capacity. Commercial feasibility is highly dependent on the cost of delivering infrastructure and mitigating environmental effects (including ecological, landscape, and cultural effects, and natural hazards).

In the UK, developers tend to work on the basis of 20% profit after costs (including development contributions and housing and infrastructure delivery). Profit below that level tends to encourage them to raise house prices to recoup profit, or determine the project unviable, resulting in no development.

Commercial feasibility assessment ahead of an understanding of other aspects of development such as environmental effects, detailed infrastructure costs, and mitigation measures will not give an accurate understanding of true commercial feasibility.

Detailed assessments of environmental effect and infrastructure requirements are not undertaken until a Schedule 1 plan change stage (a potential response to the demand and supply assessments). As such, the Council contends that in order to achieve Objective OB1 of the Proposed NPS, these other assessments may be required before, or at the same time, as any commercial feasibility assessments. The resourcing implications are unknown but likely to be prohibitive.

### **4. Lessons from other countries**

Previously, governments in the UK required local council strategic planning documents to include housing land availability assessments, housing targets (set by regional level government) and housing market economic viability assessments. These requirements were abolished circa 2009 as they proved highly costly to councils, and more importantly, were found to be ineffective in supplying sufficient housing to meet demand (i.e. housing targets were generally not met by a large margin).

The failure was due to councils not having any control over the release of housing or housing land to the market, due to the basic supply-demand forces of a free market. We note these same market forces apply in New Zealand. The Council therefore recommends the lessons learned from unsuccessful approaches in other countries facing similar housing and affordability challenges are carefully analysed prior to finalising the Proposed NPS.

### **5. Possible litigation risks in Policies PD1-PD4**

The Proposed NPS opens up new responsibilities, definitions and procedural requirements on which councils could be challenged in the Environment Court or High Court. The use of terms such as 'market' and 'minimise' (which are not defined) potentially leads to a council's interpretation being challenged until a body of case law is established in relation to these terms.

Conceivably councils could be challenged regarding assessment methodology, evaluation of commercial feasibility, and the requirement and form of any response (e.g. plan provisions, open for business consenting, or strategic approaches) considered in respect of Policies PD1, PD2, PD3 and PD4.



Litigation is extremely costly for smaller councils and is a burden for ratepayers. The Council has recently been involved in judicial review proceedings and an Environment Court challenge on a plan change and these costs were significant.

#### **6. Timing and cost of supply and demand assessments required by the Policies PB1-PB5**

Policies PB1 to PB5 require data analysis and assessments every three years, and monitoring/reporting on an annual or quarterly basis. The cost of meeting these requirements is a significant concern for smaller councils, especially those in the medium-growth areas. The proposed assessments and monitoring will be particularly onerous for councils with a small rating base. The rationale behind the timing of the obligations is not apparent, as it does not reflect annual reporting cycles, nor is it realistically relevant to RMA planning timeframes, given a plan change takes - at best - a year to draft and become operative. Annual monitoring would be more practical for councils as they undertake other monitoring for annual reports, and Statistics NZ data is provided annually.

The Council sought advice on undertaking the supply and demand assessments required by Policy PB5 from urban economists experienced in providing modelling and analyses for Auckland Council. In total, the analysis and reporting requirements of the Proposed NPS could cost the Council approximately \$150,000 a year, equating to a rates rise of 0.3%. Any initiatives taken in responding to the findings of the assessments would be an additional cost.

The Council considers it inappropriate to impose additional rates burdens on communities such as Kāpiti's (where a significant portion of residents are on fixed incomes), particularly when the District will fall below the threshold of a Medium Growth Area in the 30-year timeframe set out in the Proposed NPS (the consultation document indicates the district will experience 3.8% growth in the ten year period to 2038).

The Council is aware that there are datasets that have already been developed centrally, and requests that these be provided to councils to minimise duplication and improve consistency across jurisdictions. The reliability of data is a concern as there appears to be no consistent data available.

#### **7. Customer focussed consents should be removed from Policy PD3**

The Council understands from the workshop hosted by the Ministry for the Environment in June 2016 that the intent of 'customer focused consents' is to focus on providing for land developers as important customers. Consents staff at the Council already endeavour to be as efficient as possible, and work for all of our customers as part of an "Open for Business" commitment. However, the Council's primary customers are existing residents and ratepayers. The Council must balance competing interests of existing communities, the environment and providing for growth. Adding an expectation of special treatment for housing developments or subdivision will not assist in delivering services. The Council requests that this be deleted from the Proposed NPS.

#### **8. Policy PC2 imposes an unrealistic requirement for agreement between councils and infrastructure providers**

The concept of co-operation and agreement is commendable. We believe that most councils do co-operate with their neighbouring councils; however, a national policy statement requiring agreement on matters of detail such as datasets and information is quite aspirational and may not be achievable in practice.

Co-operation and collaboration take considerable time and resources, and agreement takes considerably more. We question the need for agreement on data collection and consider collaboration to be a more appropriate requirement for a national policy statement. This is particularly important when considering regions with large metropolitan councils and small satellite councils that experience very different market demands and supply constraints.

In terms of the requirement for councils and infrastructure providers to agree, in many cases the council is the infrastructure provider, but in cases where this is not the case (e.g. highways (NZTA) and railways), the requirement to agree is far too onerous for small councils and is likely to result in unnecessarily protracted negotiations or potential litigation. There is no alternative proposed to agreement in the NPS.

## **9. Responsibility for setting targets**

Notwithstanding the failure of the housing target approach previously used in other countries facing similar housing supply and affordability issues (as outlined in (4) above), we are concerned that the Proposed NPS places the responsibility on Regional Councils for determining housing and employment targets for territorial local authorities. We note regional councils are unlikely to be well placed to determine where and when development is appropriate or likely as these matters fall under the functions of territorial local authorities.

## ***Suggested actions and refinements***

The Council recommends the following actions are taken and the Proposed NPS is amended as follows:

1. Consider introducing mechanisms that give the ability for Councils or 'Urban Development Authorities' to acquire and release held land;
2. Consider 'lessons learned' from similar approaches previously used in the UK, which ultimately proved costly and ineffective in addressing the core issue of housing supply and affordability;
3. Clarify the relationship of the Proposed NPS to Part 2 matters and other national policy statements of the RMA;
4. Consider the need for and resourcing implications of wider environmental assessments – in addition to commercial feasibility assessments - that might be needed in order to achieve Objective OB1 of the Proposed NPS;
5. Require collaboration regarding data collection and information, but not agreement;
6. Provide datasets that have already been developed centrally, in order to minimise duplication and improve consistency across jurisdictions;
7. Require monitoring and reporting on an annual basis rather than quarterly or six-monthly;
8. Clarify roles and responsibilities for councils, in particular the differentiation between 'regional council', 'local authority' and 'territorial authority';
9. Delete references to 'customer focused consenting';
10. Specify the methodology to be used by all relevant councils to ensure consistency and reduced risk of litigation;
11. Commit funding for and provide the assessment model to be used;
12. Provide substantial guidance regarding all the matters above, particularly (3) and (10) above.



## **Conclusion**

The Council considers the Proposed NPS addresses part of the current problem seen in some regions and districts of New Zealand regarding housing supply and affordability. However, it overlooks (or fails to acknowledge) more significant barriers to successfully addressing the problem, such as land banking and the purposefully slow release of land to the market by developers to ensure demand, and therefore profit, remains high.

The Council recommends the Proposed NPS is amended to ensure it is a more useful tool for councils. The Council's recommendations aim to ensure councils understand their respective housing and business land market demands, while also ensuring that long term development planning is carried out in an integrated and consistent way.

Two staff members in the Council's Research, Policy and Planning team have direct experience implementing development capacity assessments in the United Kingdom, as well as experience in development planning in New Zealand. The team would be happy to meet with Ministry for the Environment officials with a view to building a shared understanding of the problem and potential solutions. If you would like to meet, please contact Sarah Stevenson [sarah.stevenson@Kāpiticoast.govt.nz](mailto:sarah.stevenson@Kāpiticoast.govt.nz) or (04) 296 4828.

Yours sincerely



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NATIONAL POLICY STATEMENT

# on Urban Development Capacity 2016

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# Preamble

New Zealand is highly urbanised, with 73 percent of us living in urban areas of at least 30,000 people.<sup>1</sup>

Urban environments are characterised by the closeness of people and places, and the connections between them. They enable us to live, work and play in close proximity, giving us access to amenity, services and activities that people value. While urban environments share these common characteristics, they also have unique local variations; the traits that make one urban environment different from another. Urban environments often have high rates of population and economic growth. Reflecting this, they are dynamic, and are constantly changing to reflect the needs of their communities. This constant change can have both positive and negative impacts: well-functioning urban areas maximise the positives and minimise the negatives.

Well-functioning urban environments provide for people and communities' wellbeing. They provide people with access to a choice of homes and opportunities to earn income, good connections between them, and attractive built and natural environments. They have good quality physical and social infrastructure and open space. They make efficient use of resources and allow land uses to change to meet the changing needs of their inhabitants while protecting what is precious. They make the most of their ability to connect to other parts of the world through trade and the movement of goods and people. Such urban environments attract people and investment, and are dynamic places that make a significant contribution to national economic performance.

Local authorities play an important role in shaping the success of our cities by planning for growth and change and providing critical infrastructure. Ideally, urban planning should enable people and communities to provide for their social, economic, cultural and environmental wellbeing through development, while managing its effects. This is a challenging role, because cities are complex places; they develop as a result of numerous individual decisions, and this often involves conflict between diverse preferences.

This national policy statement provides direction to decision-makers under the Resource Management Act 1991 (RMA) on planning for urban environments. It recognises the national significance of well-functioning urban environments, with particular focus on ensuring that local authorities, through their planning, both:

- enable urban environments to grow and change in response to the changing needs of the communities, and future generations; and
- provide enough space for their populations to happily live and work. This can be both through allowing development to go “up” by intensifying existing urban areas, and “out” by releasing land in greenfield areas.

This national policy statement covers development capacity for both housing and business, to recognise that mobility and connectivity between both are important to achieving well-functioning urban environments. Planning should promote accessibility and connectivity between housing and businesses. It is up to local authorities to make decisions about what sort of urban form to pursue.

This national policy statement aims to ensure that planning decisions enable the supply of housing needed to meet demand. This will contribute to minimising artificially inflated house prices at all

<sup>1</sup>According to Statistics New Zealand's most recent estimates.

levels and contribute to housing affordability overall. Currently, artificially inflated house prices drive inequality, increase the fiscal burden of housing-related government subsidies, and pose a risk to the national economy.

Local authorities need to provide for the wellbeing of current generations, and they must also provide for the wellbeing of the generations to come. The overarching theme running through this national policy statement is that planning decisions must actively enable development in urban environments, and do that in a way that maximises wellbeing now and in the future.

This national policy statement does not anticipate development occurring with disregard to its effect. Local authorities will still need to consider a range of matters in deciding where and how development is to occur, including the direction provided by this national policy statement.

Competition is important for land and development markets because supply will meet demand at a lower price when there is competition. There are several key features of a competitive land and development market. These include providing plenty of opportunities for development. Planning can impact on the competitiveness of the market by reducing overall opportunities for development and restricting development rights to only a few landowners.

This national policy statement requires councils to provide in their plans enough development capacity to ensure that demand can be met. This includes both the total aggregate demand for housing and business land, and also the demand for different types, sizes and locations. This development capacity must also be commercially feasible to develop, and plentiful enough to recognise that not all feasible development opportunities will be taken up. This will provide communities with more choice, at lower prices.

Development capacity must be provided for in plans and also supported by infrastructure. Urban development is dependent on infrastructure, and decisions about infrastructure can shape urban development. This national policy statement requires development capacity to be serviced with development infrastructure, with different expectations from this infrastructure in the short, medium and long-term. It encourages integration and coordination of land use and infrastructure planning. This will require a sustained effort from local authorities, council-controlled organisations, and infrastructure providers (including central government) to align their intentions and resources.

Another key theme running through the national policy statement is for planning to occur with a better understanding of land and development markets, and in particular the impact that planning has on these. This national policy statement requires local authorities to prepare a housing and business development capacity assessment and to regularly monitor market indicators, including price signals, to ensure there is sufficient development capacity to meet demand. Local authorities must respond to this information. If it shows that more development capacity needs to be provided to meet demand, local authorities must then do so. Providing a greater number of opportunities for development that are commercially feasible will lead to more competition among developers and landowners to meet demand.

This national policy statement also places a strong emphasis on planning coherently across urban housing and labour markets, which may cross local authority administrative boundaries. This will require coordinated planning between local authorities that share jurisdiction over urban housing and labour markets. This includes collaboration between regional councils and territorial authorities who have differing functions under the RMA, but which all impact on and are impacted on by urban development.

This national policy statement recognises that the benefits of the statement are greatest in urban areas experiencing the highest levels of growth. It takes a tiered approach to the application of policies using the Statistics New Zealand urban areas classification, and population projections to target different policies to different local authorities. This classification also informs local authorities that they must work together. The boundaries of the urban areas do not restrict the area in which the local authorities apply the policies.

Local authorities that have a high-growth urban area within their jurisdiction are expected to meet all of the requirements of policies in this national policy statement, while local authorities with medium-growth urban areas in their jurisdiction, and all other local authorities, have lesser requirements, as per the table below.

	All local authorities	Local authorities that have a medium-growth urban area within their district or region	Local authorities that have a high-growth urban area within their district or region
Objectives that apply	All	All	All
Policies that apply	PA1 - PA4	PA1 - PA4	PA1 - PA4
		PB1 - PB7 PC1 - PC4 PD1 - PD2	PB1 - PB7 PC1 - PC4 PD1 - PD2
			PC5 - PC14 PD3 - PD4

This preamble may assist the interpretation of the national policy statement.

# Title

This national policy statement is the National Policy Statement on Urban Development Capacity 2016.

# Commencement

This national policy statement comes into force on the 28th day after the date on which it is notified in the *New Zealand Gazette*.

# Interpretation

In this national policy statement, unless the context otherwise requires, –

*Act* means the Resource Management Act 1991.

*Business land* means land that is zoned for business uses in urban environments, including but not limited to land in the following examples of zones:

- industrial
- commercial
- retail
- business and business parks
- centres (to the extent that this zone allows business uses)
- mixed use (to the extent that this zone allows business uses).

*Decision-maker* means any person exercising functions and powers under the Act.

*Demand* means:

In relation to housing, the demand for dwellings in an urban environment in the short, medium and long-term, including:

- a) the total number of dwellings required to meet projected household growth and projected visitor accommodation growth;
- b) demand for different types of dwellings;
- c) the demand for different locations within the urban environment; and
- d) the demand for different price points

recognising that people will trade off (b), (c) and (d) to meet their own needs and preferences.

In relation to business land, the demand for floor area and lot size in an urban environment in the short, medium and long-term, including:

- a) the quantum of floor area to meet forecast growth of different business activities;
- b) the demands of both land extensive and intensive activities; and
- c) the demands of different types of business activities for different locations within the urban environment.

**Development capacity** means in relation to housing and business land, the capacity of land intended for urban development based on:

- a) the zoning, objectives, policies, rules and overlays that apply to the land, in the relevant proposed and operative regional policy statements, regional plans and district plans; and
- b) the provision of adequate development infrastructure to support the development of the land.

**Development infrastructure** means network infrastructure for water supply, wastewater, stormwater, and land transport as defined in the Land Transport Management Act 2003, to the extent that it is controlled by local authorities.

**Feasible** means that development is commercially viable, taking into account the current likely costs, revenue and yield of developing; and **feasibility** has a corresponding meaning.

**High-growth urban area** means any urban area (as defined by Statistics New Zealand in 2016) that:

- a) has either:
  - a resident population of over 30,000 people according to the most recent Statistics New Zealand urban area resident population estimatesor
  - at any point in the year a combined resident population and visitor population of over 30,000 people, using the most recent Statistics New Zealand urban area resident population estimatesand
- b) in which the resident population of that urban area is projected to grow by more than 10% between 2013 to 2023, according to the most recent Statistics New Zealand medium urban area population projections for 2013(base)-2023.

Note that the definition of high-growth urban area is a transitional definition, and will be reviewed and amended no later than 31 December 2018.

**Local authority** has the same meaning as in section 2 of the Resource Management Act 1991.

**Long term** means between ten and thirty years.

**Medium-growth urban area** means any urban area (as defined by Statistics New Zealand in 2016) that:

- a) has a resident population of over 30,000 people according to the most recent Statistics New Zealand urban area resident population estimates
- and
- b) in which the resident population of that urban area is projected to grow by between 5% and 10% between 2013 to 2023, according to the most recent Statistics New Zealand medium urban area population projections for 2013(base)-2023.

Note that the definition of medium-growth urban area is a transitional definition, and will be reviewed and amended no later than 31 December 2018.

**Medium term** means between three and ten years.



***Other infrastructure*** means:

- a) open space;
- b) community infrastructure as defined in the Local Government Act 2002;
- c) land transport as defined in the Land Transport Management Act 2003, that is not controlled by local authorities;
- d) social infrastructure such as schools and healthcare;
- e) telecommunications as defined in the Telecommunications Act 2001;
- f) energy; and
- g) other infrastructure not controlled by local authorities.

***Plan*** means any plan under section 43AA of the Act or proposed plan under section 43AAC of the Act.

***Planning decision*** means any decision on any plan, a regional policy statement, proposed regional policy statement, or any decision on a resource consent.

***Short term*** means within the next three years.

***Sufficient*** means the provision of enough development capacity to meet housing and business demand, and which reflects the demands for different types and locations of development capacity; and ***sufficiency*** has a corresponding meaning.

***Urban environment*** means an area of land containing, or intended to contain, a concentrated settlement of 10,000 people or more and any associated business land, irrespective of local authority or statistical boundaries.

# National significance

This national policy statement is about recognising the national significance of:

- a) urban environments and the need to enable such environments to develop and change;  
and
- b) providing sufficient development capacity to meet the needs of people and communities and future generations in urban environments.

# Objectives

The following objectives apply to all decision-makers when making planning decisions that affect an urban environment.

## *Objective Group A – Outcomes for planning decisions*

- OA1: Effective and efficient urban environments that enable people and communities and future generations to provide for their social, economic, cultural and environmental wellbeing.
- OA2: Urban environments that have sufficient opportunities for the development of housing and business land to meet demand, and which provide choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses.
- OA3: Urban environments that, over time, develop and change in response to the changing needs of people and communities and future generations.

## *Objective Group B – Evidence and monitoring to support planning decisions*

- OB1: A robustly developed, comprehensive and frequently updated evidence base to inform planning decisions in urban environments.

## *Objective Group C – Responsive planning*

- OC1: Planning decisions, practices and methods that enable urban development which provides for the social, economic, cultural and environmental wellbeing of people and communities and future generations in the short, medium and long-term.
- OC2: Local authorities adapt and respond to evidence about urban development, market activity and the social, economic, cultural and environmental wellbeing of people and communities and future generations, in a timely way.

## *Objective Group D – Coordinated planning evidence and decision-making*

- OD1: Urban environments where land use, development, development infrastructure and other infrastructure are integrated with each other.
- OD2: Coordinated and aligned planning decisions within and across local authority boundaries.

# Policies

## *Outcomes for planning decisions*

Policies PA1 to PA4 apply to any urban environment that is expected to experience growth.

PA1: Local authorities shall ensure that at any one time there is sufficient housing and business land development capacity according to the table below:

<b>Short term</b>	Development capacity must be feasible, zoned and serviced with development infrastructure.
<b>Medium term</b>	Development capacity must be feasible, zoned and either: <ul style="list-style-type: none"><li>• serviced with development infrastructure, or</li><li>• the funding for the development infrastructure required to service that development capacity must be identified in a Long Term Plan required under the Local Government Act 2002.</li></ul>
<b>Long-term</b>	Development capacity must be feasible, identified in relevant plans and strategies, and the development infrastructure required to service it must be identified in the relevant Infrastructure Strategy required under the Local Government Act 2002.

PA2: Local authorities shall satisfy themselves that other infrastructure required to support urban development are likely to be available.

PA3: When making planning decisions that affect the way and the rate at which development capacity is provided, decision-makers shall provide for the social, economic, cultural and environmental wellbeing of people and communities and future generations, whilst having particular regard to:

- Providing for choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses;
- Promoting the efficient use of urban land and development infrastructure and other infrastructure; and
- Limiting as much as possible adverse impacts on the competitive operation of land and development markets.

PA4: When considering the effects of urban development, decision-makers shall take into account:

- The benefits that urban development will provide with respect to the ability for people and communities and future generations to provide for their social, economic, cultural and environmental wellbeing; and
- The benefits and costs of urban development at a national, inter-regional, regional and district scale, as well as the local effects.

### *Evidence and monitoring to support planning decisions*

Policies PB1 to PB7 apply to all local authorities that have part, or all, of either a medium-growth urban area or high-growth urban area within their district or region.

The application of these policies is not restricted to the boundaries of the urban area.

- PB1: Local authorities shall, on at least a three-yearly basis, carry out a housing and business development capacity assessment that:
- a) Estimates the demand for dwellings, including the demand for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand, in the short, medium and long-terms; and
  - b) Estimates the demand for the different types and locations of business land and floor area for businesses, and the supply of development capacity to meet that demand, in the short, medium and long-terms; and
  - c) Assesses interactions between housing and business activities, and their impacts on each other.

Local authorities are encouraged to publish the assessment under policy PB1.

- PB2: The assessment under policy PB1 shall use information about demand including:
- a) Demographic change using, as a starting point, the most recent Statistics New Zealand population projections;
  - b) Future changes in the business activities of the local economy and the impacts that this might have on demand for housing and business land; and
  - c) Market indicators monitored under PB6 and PB7.
- PB3: The assessment under policy PB1 shall estimate the sufficiency of development capacity provided by the relevant local authority plans and proposed and operative regional policy statements, and Long Term Plans and Infrastructure Strategies prepared under the Local Government Act 2002, including:
- a) The cumulative effect of all zoning, objectives, policies, rules and overlays and existing designations in plans, and the effect this will have on opportunities for development being taken up;
  - b) The actual and likely availability of development infrastructure and other infrastructure in the short, medium and long term as set out under PA1;
  - c) The current feasibility of development capacity;
  - d) The rate of take up of development capacity, observed over the past 10 years and estimated for the future; and
  - e) The market's response to planning decisions, obtained through monitoring under policies PB6 and PB7.
- PB4: The assessment under policy PB1 shall estimate the additional development capacity needed if any of the factors in PB3 indicate that the supply of development capacity is not likely to meet demand in the short, medium or long term.



- PB5: In carrying out the assessment under policy PB1, local authorities shall seek and use the input of iwi authorities, the property development sector, significant land owners, social housing providers, requiring authorities, and the providers of development infrastructure and other infrastructure.
- PB6: To ensure that local authorities are well-informed about demand for housing and business development capacity, urban development activity and outcomes, local authorities shall monitor a range of indicators on a quarterly basis including:
- a) Prices and rents for housing, residential land and business land by location and type; and changes in these prices and rents over time;
  - b) The number of resource consents and building consents granted for urban development relative to the growth in population; and
  - c) Indicators of housing affordability.
- PB7: Local authorities shall use information provided by indicators of price efficiency in their land and development market, such as price differentials between zones, to understand how well the market is functioning and how planning may affect this, and when additional development capacity might be needed.

Local authorities are encouraged to publish the results of their monitoring under policies PB6 and PB7.

### *Responsive planning*

Policies PC1 to PC4 apply to all local authorities that have part, or all, of either a medium-growth urban area or high-growth urban area within their district or region.

The application of these policies is not restricted to the boundaries of the urban area.

- PC1: To factor in the proportion of feasible development capacity that may not be developed, in addition to the requirement to ensure sufficient, feasible development capacity as outlined in policy PA1, local authorities shall also provide an additional margin of feasible development capacity over and above projected demand of at least:
- 20% in the short and medium term, and
  - 15% in the long term.
- PC2: If evidence from the assessment under policy PB1, including information about the rate of take-up of development capacity, indicates a higher margin is more appropriate, this higher margin should be used.
- PC3: When the evidence base or monitoring obtained in accordance with policies PB1 to PB7 indicates that development capacity is not sufficient in any of the short, medium or long term, local authorities shall respond by:
- a) Providing further development capacity; and
  - b) enabling development

in accordance with policies PA1, PC1 or PC2, and PC4. A response shall be initiated within 12 months.

- PC4: A local authority shall consider all practicable options available to it to provide sufficient development capacity and enable development to meet demand in the short, medium and long term, including:
- a) Changes to plans and regional policy statements, including to the zoning, objectives, policies, rules and overlays that apply in both existing urban environments and greenfield areas;
  - b) Integrated and coordinated consenting processes that facilitate development; and
  - c) Statutory tools and other methods available under other legislation.

### **Minimum targets**

Policies PC5 to PC11 apply to all local authorities that have part, or all, of a high-growth urban area within their district or region.

Local authorities that have part, or all, of a medium-growth urban area within their district or region are encouraged to give effect to policies PC5 to PC11.

The application of these policies is not restricted to the boundaries of the urban area.

- PC5: Regional councils shall set minimum targets for sufficient, feasible development capacity for housing, in accordance with the relevant assessment under policy PB1 and with policies PA1 and PC1 or PC2, and incorporate these minimum targets into the relevant regional policy statement.
- PC6: A regional council's minimum targets set under policy PC5 shall be set for the medium and long term, and shall be reviewed every three years.
- PC7: When the relevant assessment required under policy PB1 shows that the minimum targets set in the regional policy statement are not sufficient, regional councils shall revise those minimum targets in accordance with policies PC5, and shall incorporate these revised targets into its regional policy statement.
- PC8: Regional councils shall amend their proposed and operative regional policy statements to give effect to policies PC5 to PC7 in accordance with section 55(2A) of the Act without using the process in Schedule 1 of the Act.
- PC9: Territorial authorities shall set minimum targets for sufficient, feasible development capacity for housing, as a portion of the regional minimum target, in accordance with the relevant assessment under policy PB1, and with policies PA1, PC1 or PC2, and PD3 and incorporate the minimum targets as an objective into the relevant plan.
- PC10: If a minimum target set in a regional policy statement is revised, the relevant territorial authorities shall also revise the minimum targets in their plans in accordance with policy PC9.
- PC11: Territorial authorities shall amend their relevant plans to give effect to policies PC9 and PC10 in accordance with section 55(2A) of the Act without using the process in Schedule 1 of the Act.

Note that using section 55(2A) of the Act for policies PC8 and PC11 only applies to setting minimum targets and not to plan changes that give effect to those minimum targets.

### **Future development strategy**

Policies PC12 to PC14 apply to all local authorities that have part, or all, of a high-growth urban area within their district or region.

Local authorities that have part, or all, of a medium-growth urban area within their district or region are encouraged to give effect to policies PC12 to PC14

The application of these policies is not restricted to the boundaries of the urban area.

PC12: Local authorities shall produce a future development strategy which demonstrates that there will be sufficient, feasible development capacity in the medium and long term. This strategy will also set out how the minimum targets set in accordance with policies PC5 and PC9 will be met.

PC13: The future development strategy shall:

- a) identify the broad location, timing and sequencing of future development capacity over the long term in future urban environments and intensification opportunities within existing urban environments;
- b) balance the certainty regarding the provision of future urban development with the need to be responsive to demand for such development; and
- c) be informed by the relevant Long Term Plans and Infrastructure Strategies required under the Local Government Act 2002, and any other relevant strategies, plans and documents.

PC14: The future development strategy can be incorporated into a non-statutory document that is not prepared under the Act, including documents and strategies prepared under other legislation. In developing this strategy, local authorities shall:

- a) Undertake a consultation process that complies with:
  - Part 6 of the Local Government Act; or
  - Schedule 1 of the Act;
- b) be informed by the assessment under policy PB1; and
- c) have particular regard to policy PA1.

### ***Coordinated planning evidence and decision-making***

Policies PD1 and PD2 apply to all local authorities that have part, or all, of either a medium-growth urban area or high-growth urban area within their district or region.

The application of these policies is not restricted to the boundaries of the urban area.

PD1: Local authorities that share jurisdiction over an urban area are strongly encouraged to work together to implement this national policy statement, having particular regard to cooperating and agreeing upon:

- a) The preparation and content of a joint housing and business development capacity assessment for the purposes of policy PB1; and
- b) The provision and location of sufficient, feasible development capacity required under the policies PA1, PC1 and PC2.

PD2: To achieve integrated land use and infrastructure planning, local authorities shall work with providers of development infrastructure, and other infrastructure, to implement policies PA1 to PA3, PC1 and PC2.

Policies PD3 and PD4 apply to all local authorities that have part, or all, of a high-growth urban area within their district or region.

Policy PD3 a) applies to all local authorities that have part, or all, of a medium-growth urban area within their district or region and choose to set minimum targets under policies PC5 to PC11.

PD3 b) and PD4 apply to all local authorities that have part, or all, of a medium-growth urban area within their district or region and choose to prepare a future development strategy under policies PC12 to PC14.

The application of these policies is not restricted to the boundaries of the urban area.

PD3: Local authorities that share jurisdiction over an urban area are strongly encouraged to collaborate and cooperate to agree upon:

- a) The specification of the minimum targets required under PC5 and PC9 and their review under policies PC6, PC7 and PC10; and
- b) The development of a joint future development strategy for the purposes of policies PC12 to PC14.

PD4: Local authorities shall work with providers of development infrastructure, and other infrastructure, in preparing a future development strategy under policy PC12.

# Timeframes to implement this national policy statement

The timeframes for giving effect to particular policies in this national policy statement are as follows.

Objectives OA1 to OD2, policies PA1 to PA4 (outcomes for planning decisions), policies PC1 to PC4 (responsive planning) and policies PD1 to PD4 (coordinated planning evidence and decision-making) must be given effect immediately.

Local authorities that have part or all of either a medium-growth urban area or a high-growth urban area within their district or region shall begin to monitor indicators under policy PB6 within 6 months of this NPS coming into effect.

Local authorities that have part or all of either a medium-growth urban area or a high-growth urban area within their district or region shall begin to use indicators of price inefficiency under policy PB7 by 31 December 2017.

Local authorities that have part or all of a high-growth urban area within their district or region shall have completed the housing and business development capacity assessment under policy PB1 by 31 December 2017.

Local authorities that have part or all of a medium-growth urban area within their district or region shall have completed the housing and business development capacity assessment under policy PB1 by 31 December 2018.

Local authorities that have part or all of a high-growth urban area within their district or region shall have produced the future development strategy under policies PC12 to PC14 by 31 December 2018.

Local authorities that have part or all of a high-growth urban area within their district or region shall have set minimum targets in their relevant plan or regional policy statement under policies PC5 and PC9 by 31 December 2018.

Local authorities with part or all of an urban area in their district or region that, through revisions to the Statistics New Zealand medium urban area population projections for 2013(base)-2023, comes to be defined as either a medium-growth urban area or a high-growth urban area, shall give effect to the requirements by the dates set out above with the following exceptions:

- Local authorities with part or all of an urban area in their district or region that is newly classified as a medium-growth urban area shall begin monitoring indicators under policy PB6 and using indicators of price efficiency under policy PB7 by 31 March 2018.
- Local authorities with part or all of an urban area in their district or region that is newly classified as a high-growth urban area shall complete the housing and business development capacity assessment under policy PB1 by 30 June 2018.



# Review of this national policy statement

The Minister for the Environment intends to review and amend the definitions of high-growth urban area and medium-growth urban area no later than 31 December 2018.

The Minister for the Environment intends to review the implementation and effectiveness of this national policy statement in achieving all its objectives and policies and in achieving the purpose of the Act, no later than 31 December 2021. The Minister shall then consider the need to review, change or revoke this national policy statement.

## *Regulatory impact statement*

The Ministry for the Environment produced a regulatory impact statement on 29 September 2016 to help inform the decisions taken by the Government relating to the contents of this instrument.

A copy of this regulatory impact statement can be found at:

- <http://www.mfe.govt.nz/more/cabinet-papers-and-related-material-search/regulatory-impact-statements/ris-proposed-nps-urban>
- <http://www.treasury.govt.nz/publications/informationreleases/ris>