

Coversheet: National Policy Statement on Urban Development

Section A: Problem and Proposed Approach

Problem definition

Our cities are struggling to keep up with growth, most obvious in the rapid decline in urban housing affordability. This is driving a wide range of negative outcomes, including increasing inequality, reduced agglomeration benefits and increased congestion.

This is in part caused by our planning system under the *Resource Management Act 1991* (RMA), which is inhibiting competition and responsiveness in our land markets while also failing to protect what needs protection. Zone provisions, the cumulative impact of rules, and lengthy appeal processes can hinder intensification and expansion in areas where it would otherwise contribute to a well-functioning urban environment. Central government issued direction to councils to improve their planning processes through the National Policy Statement on Urban Development Capacity 2016 (NPS-UDC), but this is not adequately addressing the problems in our planning system and the ensuing negative outcomes. This is because it focussed on aggregate development capacity, and does not provide clear intended outcomes, guide where capacity should be provided, or require consideration of whether development capacity could be reasonably expected to be realised.

Summary of preferred option

The Ministry of Housing and Urban Development (HUD) and the Ministry for the Environment (MfE) propose to replace the NPS-UDC with a new National Policy Statement on Urban Development (NPS-UD). This will build on the NPS-UDC and broaden its focus.

In addition to improving on the NPS-UDC's data and strategic planning requirements, new direction on outcomes will include reference to well-functioning urban environments, amenity, climate change, housing affordability and the Te Tiriti o Waitangi / the Treaty of Waitangi (the Treaty). New direction will require councils to enable greater intensification in areas of high demand, remove car parking minima from their plans, and be responsive to unexpected plan change requests, where these would contribute to desirable outcomes. Several policies will have more directive variants in our largest and fastest growing urban environments to ensure that the desired benefits are achieved. For example, the intensification provisions will require our largest and fastest growing urban environments to enable specific density for areas where we have the greatest evidence of benefit – city centres, metro centres, town centres and near rapid transit stops.

Section B: Summary Impacts: Benefits and Costs

Who benefits, and how?

Impacts will be felt differently across cities and across New Zealand, and by different stakeholder groups. Renters and first home buyers will particularly benefit due to improved housing affordability. However, the policies are intended to deliver a wide range of benefits to all people who live in urban areas (including future generations), with secondary benefits realised across New Zealand. The most significant of these will be agglomeration benefits (productivity increases resulting from the collocation of firms and people) and consumer surplus (the increased net benefit from purchasing goods and services when costs, including access costs such as time, are lower).

The greatest benefits will be delivered where the constraints are tightest; generally locations of high demand. While on average Auckland will benefit the most, there will be variation within urban areas. For example, central areas of high demand in some cities are likely to benefit more than the urban fringes of Auckland.

Where do the costs fall?

The implementation of the NPS-UD is expected to require increased spending, predominantly by councils but also by central government. Some of this will be to meet new costs under the NPS-UD (particularly plan changes and preparative work for these). A significant portion of costs will not be new, but will be existing growth-related costs (particularly infrastructure) that are revealed by the implementation of the NPS-UD. These costs may currently be unknown, or may be known costs that are ignored because of barriers to expenditure that the NPS-UD will remove.

Immediate costs will be predominantly be felt by councils, which will in turn seek funding from a range of sources including rates and development contributions. Central government will likewise seek to fund its expenditure. Some incumbents will also perceive a loss in amenity as a result of increased development. As with the benefits, these costs will be unevenly distributed throughout the country and different urban environments, although the costs will be greatest where the benefits are also greatest.

Risks and unintended impacts: significance, mitigation and management

A number of risks have been identified. For example, the infrastructure required to enable capacity may not be provided, or local or central government may suffer from resourcing issues. Interactions with other national direction, such as the National Policy Statements for Freshwater, Highly Productive Land or Indigenous Biodiversity may result in perverse outcomes or limit the NPS-UD. In addition, the ongoing impacts of Covid-19 remain uncertain.

Officials are developing compliance and enforcement, and monitoring and evaluation strategies. Officials will seek to leverage other Urban Growth Agenda (UGA) mechanisms, such as the growth partnerships and infrastructure funding and financing tools, to support councils to implement the NPS-UD and to mitigate implementation issues. The NPS-UD's provisions have also been designed to allow for flexibility where evidence of its need can be provided.

Section C: Evidence certainty and quality assurance

Agency rating of evidence certainty

There is a breadth of evidence and analysis domestically and internationally on constraints to urban growth and the features of effective urban systems. Ahead of the development of the policy proposals for the NPS-UD, MfE commissioned Beca to look at the impacts of specific planning rules on constraining urban growth. This has been supplemented by a cost-benefit analysis undertaken by PricewaterhouseCoopers (PwC), which has taken a conservative view of the policy impacts, assessing a better-than-expected status quo against weaker-than-expected policies.

Due to the range of evidence and the conservative nature of PwC's estimates, agencies consider evidence certainty to be medium-to-high. The most directive policies have the most robust evidence base, to reflect the higher risks and costs associated with these provisions.

The least certain factor is the growth-related infrastructure costs; we note that the NPS-UD does not create the bulk of these costs but will help reveal the costs necessary to support growth and well-functioning urban environments. Other work underway as part of the UGA will be important to help councils to identify and manage these costs.

To be completed by quality assurers:

Quality Assurance Reviewing Agencies:
The Treasury’s Regulatory Quality Team, the Ministry for the Environment and the Ministry for Housing and Urban Development.
Quality Assurance Assessment:
A review panel with representatives from the Treasury’s Regulatory Quality Team, the Ministry for the Environment and the Ministry for Housing and Urban Development has reviewed the Regulatory Impact Assessment (RIA) “National Policy Statement on Urban Development” (NPS-UD) produced by the Ministry of Housing and Urban Development and dated 22 May 2020. The review team considers that the RIA meets the Quality Assurance criteria.
Reviewer Comments and Recommendations:
<p>This is a complex RIA with links to the wider Urban Growth Agenda (UGA). The problem definition and options analysis in the RIA are underpinned by a solid evidence base including a study by Beca on the impacts of specific planning rules on constraining urban growth, a cost benefit analysis undertaken by PricewaterhouseCoopers and a Resource Management Act Section 32 report by the Ministry for Environment.</p> <p>The RIA indicates that the benefits and costs of the NPS-UD will be unevenly distributed throughout the country and different urban environments, however where the constraints are tightest and the costs are potentially most significant, the benefits are expected to be highest.</p> <p>Evaluation, monitoring and review will be important for successful implementation of the NPS-UD because it will help to manage local and regional differences and the risk of any unintended consequences. As indicated in the RIA, a key part of the implementation strategy will be allowing for some flexibility in the NPS-UD’s provisions where evidence of its need can be provided and leveraging other UGA mechanisms (such as the growth partnerships and infrastructure funding and financing tools) to support councils to implement the NPS-UD.</p>

Impact Summary: National Policy Statement on Urban Development (NPS-UD)

Section 1: General information

1.1 Purpose

The purpose of this analysis and advice is to inform final decisions to proceed with a policy change to be taken by Cabinet. This change would introduce a new NPS-UD under the RMA. The new NPS-UD would provide local authorities with direction on urban planning and would replace the existing NPS-UDC.

HUD and MfE are responsible for the analysis and advice set out in this RIA, except as otherwise explicitly indicated.

This document should be read in conjunction with the evaluation report on the NPS-UD, prepared under section 32 of the RMA (the section 32 report) and the further evaluation report prepared under section 32AA of the RMA, which includes additional analysis on the car parking provisions of the NPS-UD. These three reports are submitted jointly to meet the RIA requirements. The section 32 report includes two separate supporting documents as appendices: a cost-benefit analysis (CBA) prepared by PwC and a summary of submissions.

1.2 Key Limitations or Constraints on Analysis

1.2.1 Scope of the problem and options considered

The problem defined in this RIA and the proposed response are part of the UGA work programme, which aims to address the causes of our poor housing affordability through a range of interventions. The scope of this analysis is the effect that current RMA planning decisions have on the development of successful urban environments. Work being progressed through other parts of the UGA, including infrastructure funding and financing and transport pricing (see section 2.2.1), and the longer-term reform of the RMA is out of scope for this analysis.

This RIA focusses on the application of a national policy statement (NPS) and implementation guidance. The pre-consultation RIA presented an assessment of alternative forms of national direction under the RMA, but as Cabinet agreed to only consult on an NPS, rather than other forms of national direction, we have narrowed our scope to this one tool. [*CAB-19-MIN-0380 / DEV-19-MIN-0204* refers].

An NPS can only direct decisions made under the RMA; it cannot direct decisions made under other planning legislation, such as the *Local Government Act 2002* (LGA) or *Land Transport Management Act 2003* (LTMA). However, the NPS-UD has been designed to encourage local authorities to align RMA planning decisions with those made under other planning legislation, particularly the Future Development Strategy (FDS) policy (briefly discussed in Table 1, section 3.1.2).

1.2.2 Evidence base

There is a breadth of evidence and analysis domestically and internationally on constraints to urban growth and the features of effective urban systems. Ahead of the development of the policy proposals for the NPS-UD, MfE commissioned Beca to look

at the impacts of specific planning rules on constraining urban growth.¹ This evidence has been supplemented by a CBA, undertaken by PwC, focussed on the proposed changes in the NPS-UD. Key insights from the CBA can be found in Section 4: Impact Analysis.

HUD and MfE sought a more robust evidence base for the most directive policies to reflect the higher risks and costs associated with these provisions. However, evaluating each of these policies across multiple cities at the property level is complex, as noted by PwC in the CBA. Urban land markets cannot be understood using averages or broad strokes. Different regulations, or non-regulatory barriers (eg funding and financing constraints), may be the binding constraint on development at different locations, at different times. Where costs and benefits are quantified from the CBA, PwC’s caveat applies:

“In our choices of input assumptions, we err on the side of a conservative policy impact at every point of discretion. The cost and benefit figures reported below are not to be taken as the likely outcome, but an assessment of effects if (1) the status quo is better than we fear it will be and (2) the policy impact is weaker than we believe it will be. We take this approach to guard against optimism bias and to explore interactions of the policy mechanisms under less-than-ideal conditions. As such, our estimates should be interpreted as a near-worst-case scenario, with the understanding that net benefits are potentially much higher”.

In addition to being discussed further in the CBA, the most significant assumptions are summarised at a high level in section 4.1.1 of this RIS.

Responsible Manager (signature and date)	
	
<p>Caleb Johnstone</p> <p>Manager, Market and Supply Responses Housing and Urban Settings Ministry of Housing and Urban Development</p>	<p>Liz Moncrieff</p> <p>Manager, Urban and Infrastructure Natural and Built Systems Ministry for the Environment</p>

¹ Enabling Growth - Urban Zones Research: Key Observations, Findings and Recommendations (MfE, 2018)

Section 2: Problem definition and objectives

2.1 What is the policy problem or opportunity?

2.1.1 New Zealand is facing significant housing pressures...

Our cities are not functioning as well as they could, struggling to keep up with growth and to play their role as dynamic places of opportunity for both people and businesses. The most obvious symptom of this is the rapid decline in urban housing affordability, with demand for new homes outstripping supply.

Land and house prices have increased much faster than incomes in our major cities and are skewed to the top end of the market. Additionally, new supply of homes occurs less in areas of high demand than would be expected. Instead, existing and prospective residents face high housing costs and have a limited range of housing options available to them in suitable locations. While many people may already choose to trade off access to education, employment and other services for a reduced price, these reductions in people's real incomes (after housing costs) is driving some people to move because of cost, not by choice. It also reduces benefits from agglomeration of businesses and labour markets, and the efficiency of infrastructure spending.

High housing costs are also driving an increase in inequality between those who own a home (particularly in desirable areas) and those who do not. This is resulting in adverse outcomes for those that do not own a home. Māori and Pacific peoples are over-represented in areas of unmet housing needs and homelessness, and have been particularly hard-hit by high housing costs.² There are also some groups, such as young people, who are being locked out of housing because income is not keeping up with housing price inflation.

2.1.2 ...driven by an unresponsive system and uncompetitive markets...

There is strong evidence that the housing pressures discussed above are partly due to the inefficient operation of our land, infrastructure and development markets. The supply of housing and other development is unable to respond to changes in price, and this gap grows more severe as demand increases. Soaring land prices in areas of high demand such as inner-city suburbs of Auckland or Wellington should, in theory, support more intensive land use in these suburbs, yet this does not seem to be occurring.

2.1.3 ...of which the RMA and its implementation are causal factors

The planning system and form of cities in New Zealand is primarily governed by three Acts; the LGA, the RMA and the LTMA, alongside investment choices and a range of other legislation. The RMA, which governs land use, has been identified as a significant factor in our inefficient markets and poor urban outcomes. Zone provisions, the cumulative impact of rules, and lengthy appeal processes can hinder intensification and expansion in areas where it would otherwise contribute to a well-functioning urban

² Statistics New Zealand (2016). *Changes in home-ownership patterns 1986–2013: Focus on Māori and Pacific people*. Available from www.stats.govt.nz.

Amore K. (2016). *Severe housing deprivation in Aotearoa/New Zealand: 2001-2013*. He Kainga Oranga/Housing & Health Research Programme, University of Otago, Wellington

environment. Generally speaking, planning practice under the RMA and supporting directives:

- a) lack long-term and integrated planning to provide development capacity. Planning decisions about providing development capacity are not informed by adequate evidence or aligned with decisions about providing infrastructure and limited consideration is given to what capacity will – or can – be feasibly taken up³
- b) result in slow, unresponsive development which, alongside infrastructure investment, has not kept pace with growth experienced in New Zealand cities.
- c) do not enable good urban outcomes. Reasons for this include a lack of weight being given to the importance of access, climate change or the principles of the Treaty in RMA decisions
- d) lack consideration of changing amenity and largely reflect the views of a wealthy minority, which marginalises the views of other groups such as Māori, renters, younger people or ethnic minorities, who may have needs not being served by the status quo.

2.1.4 The NPS-UDC was introduced to increase the capacity available for development, but does not direct where that capacity should be provided

In response to the New Zealand Productivity Commission's 2015 report *Using Land for Housing*, central government introduced the NPS-UDC. It aimed to change RMA planning practices that were constraining development capacity and the ability of the market to meet demands in growing cities. The NPS-UDC has already increased total development capacity despite still being implemented. However, its focus on development capacity means there are important factors that it does not address, or addresses in a limited fashion.⁴

- a) There are significant gaps in its direction on appropriate outcomes in urban environments. These outcomes are spread across multiple objectives and policies, and critically lack reference to the importance of access, among other important missing factors.
- b) Capacity is considered only in aggregate, rather than taking into account where it should be enabled (namely in areas of high demand, with some exceptions). High demand is often areas of high access to employment or amenity, and is an important factor in both the probability of development capacity being realised, but also improving urban outcomes (including housing affordability) and reducing externalities (such as congestion).
- c) Practical considerations about development capacity were also lacking. There was limited consideration of what development capacity was likely to be taken up. The NPS-UDC provided limited direction to monitor and remove constraints preventing development occurring where increased capacity has been provided (ie the cumulative impact of planning rules).

³ As defined in the NPS-UD, this refers commercial viability based on the current relationship between costs and revenue, with reasonable adjustments when considering long term feasibility.

⁴ It is in part limited by when it was developed; the subsequent *Resource Legislation Amendment Act 2017* included amendments that increased the effectiveness and efficiency of NPSs.

2.1.5 These issues will worsen without intervention

Without further intervention, the inefficient operation of our urban markets is expected to continue and the resulting poor outcomes are expected to worsen despite the impact of the NPS-UDC. The NPS-UD intends to improve some of the policies and objectives of the NPS-UDC and provide further direction on how to enable greater responsiveness and improve urban development outcomes.

2.2 Who is affected and how?

2.2.1 The NPS-UD seeks to change the approach of local government in its planning practice...

In addition to enabling greater supply and ensuring that planning is responsive to changes in demand, the NPS-UD seeks to ensure that new development capacity enabled by councils is of a form and in locations that meet the diverse demands of communities and encourages well-functioning, liveable urban environments. It also requires councils to remove overly restrictive rules that impede desirable outcomes for our cities. Subject to statutory limitations on the scope of an NPS under the RMA, it also seeks to influence decisions relating to infrastructure under the LGA and LTMA, and to encourage the involvement of relevant central government agencies in strategic planning decisions.

2.2.2 ... but the outcomes sought will be felt by other groups

The primary benefits and transfers are intended to be felt by people who live in urban areas (including future generations) and secondary benefits will be realised across New Zealand (Section 4). These changes are intended to ensure, as far as possible, that:

- a) New Zealand urban areas are vibrant places that support the wellbeing of all people and communities, including those currently under-represented in democratic processes and home ownership
- b) housing affordability improves and housing meets the diverse needs of our communities.

Tenants and first home buyers are expected to particularly benefit from improved housing affordability.

Along the way to achieving these benefits, others will be impacted. For example, reducing barriers to development and making the system more responsive to demand, will facilitate the work of developers, contributing to increased housing supply.

Better planning supported through policies in the NPS-UD should result in improved use of infrastructure and more efficient spending overall. Growth and ageing, rather than planning, are the key causes of infrastructure spending. However, local authorities and central government will need to support growth related to enabling well-functioning urban environments, including through additional infrastructure spending. This may not lead to an increase infrastructure spend overall, but better reveal hidden costs and lead to increased costs for some ratepayers or councils. Councils will need to meet these costs by generating revenue from sources such as rates and development contributions.

2.2.3 Who supports this and who does not

Analysis indicates that renters and homebuyers will benefit from greater housing affordability, housing that better suits their needs, and better urban outcomes. Other groups seek more consistent and easier planning processes to support business. These groups include iwi, current and future generations, developers, infrastructure providers and businesses.

Incumbents who benefit from the current system are most likely to be older, wealthier homeowners. This group benefits from the status quo through their ability to capture value through rising land prices and they enjoy a powerful voice in local decision-making. Incumbents may oppose change and development due to a natural aversion to risk and a preference for avoiding losses. However, where this risk aversion suppresses the supply of housing it also tends to inflate the value of their land.⁵

Impacts on a range of parties are discussed in more detail in Section 5: Stakeholder Views. Stakeholder views on particular policies are discussed in the Summary of Submissions, which is appended to the section 32 report.

2.3 What are the objectives?

2.3.1 The NPS-UD is part of the UGA

The UGA is designed to address the fundamentals of land supply, development capacity and infrastructure provision by removing undue constraints. It aims to ensure that urban markets perform better, by making room for growth, making sure growth pays for itself, and investing in transport to drive more efficient and liveable urban form.

The UGA's primary objective is to improve housing affordability, underpinned by affordable urban land. This is supported by four other objectives to:

- a) improve choices for the location and type of housing
- b) improve access to employment, education and services
- c) assist emission reductions and build climate resilience
- d) enable quality built environments, while avoiding unnecessary urban sprawl.

The UGA seeks to achieve these outcomes through targeted interventions across land and infrastructure markets. It is organised around five pillars:

- a) **Infrastructure funding and financing** – to enable a more responsive supply of infrastructure and appropriate allocation of costs.
- b) **Urban Planning** – to allow cities to make room for growth, support quality built environments and enable strategic integrated planning.
- c) **Spatial planning** – to build a stronger partnership with local government as a means of developing integrated spatial planning.
- d) **Transport pricing** – to ensure the price of transport infrastructure promotes efficient use of the network.
- e) **Legislative reform** – to ensure that regulatory, institutional and funding settings are collectively supporting the UGA objectives.

⁵ New Zealand Productivity Commission (2015) *Using Land for Housing*, p 57

The proposed interventions in this RIS fall under the Urban Planning pillar and seek to achieve the UGA's objectives by affecting local authority decisions on land-use regulation under the RMA.

2.3.2 The intent of the NPS-UD is to contribute to the UGA's objectives by addressing RMA urban planning practice⁶

The NPS seeks to address the issues identified in section 2.1.3, and:

- a) **improve the responsiveness and competitiveness of the land and development markets.** Development capacity should be provided and planning be responsive to demand (with some exceptions, as per e) below). A competitive land market is also important to remove price distortions and reduce economic rents.
- b) **achieve greater consideration of outcomes in RMA decisions.** This includes a particular focus on well-functioning urban environments⁷ that meet the needs of our diverse communities. The intent is not to provide a comprehensive list of important factors, but to indicate those that require emphasis, including access.
- c) **improve the quantity and quality of evidence used by decision makers in planning decisions.** Additional information and analysis will help to build on the foundations laid by the NPS-UDC.
- d) **further increase development capacity.** To facilitate competitive land markets, the NPS-UD seeks to further enable development capacity, with particular consideration to its relation to access and ensuring that it can reasonably be expected to be taken up.
- e) **protect areas of significance.** While enabling intensification of existing urban areas and greenfield growth on the periphery, it is important that development is not incompatible with areas of significance, particularly those identified in section 6 of the RMA.

The first two of the above issues are the most important, while the latter two will contribute to achieving them. They are nonetheless intended to be mutually supportive and dependent. A more responsive planning system can improve outcomes and increase development capacity by improving land flexibility and addressing supply rigidities. This means the market is able to respond to changes in demand when amenity is improved.

Likewise, one of the key factors in a well-functioning urban environment is competitive land markets.

⁶ "Intent" has been used here to avoid confusion with the "objectives" as laid out in the proposed NPS-UD instrument itself.

⁷ See Policy 1, draft NPS-UD, or Section 32 report, page 37.

Section 3: Options identification

3.1 What options have been considered?

3.1.1 Options considered

The analysis focuses on the impacts of different option ‘packages’. These options packages are based on key policy decisions throughout the process, and are treated here as a series of escalating options for greater readability. All three options would amend and replace the NPS-UDC. They reflect changes made post-consultation, including the introduction of new provisions such as explicit reference to housing affordability and climate change (see section 5.2.2 for more detail). For the purposes of this analysis, each package contains a different combination of the final proposed provisions:

- a) **Status quo** – no changes to the existing NPS-UDC and its non-statutory guidance.
- b) **Option one: Enhanced status quo** – amend the existing NPS-UDC and its guidance to make it more effective without substantive change to its provisions.
- c) **Option two: New direction that enables improved urban development outcomes** – in addition to the changes of option one, provide additional but flexible direction for local authorities that would include provisions to give a stronger focus on urban outcomes, without providing direction on how to achieve them.
- d) **Option three (preferred approach): New direction that removes barriers and enables improved responsiveness** – in addition to the changes of options one and two, provide additional direction for local authorities that would include intensification and responsive planning policies that direct local authorities to facilitate more flexible responses to demand for different types of urban form and more efficient use of land; providing direction to achieve the outcomes sought under option two.

3.1.2 Contents of option packages and details of individual provisions

Table 1 sets out the contents of each package, including a brief description of each policy. Section 3.2 also provides a fuller, although still high-level, consideration of the new provisions proposed as part of options two and three.

The section 32 report contains analysis of the individual provisions that compose these packages (section 8, pages 28 – 145, and appendix three). This analysis includes:

- a) a qualitative impact and cost-benefit analysis for the preferred and alternative (non-preferred) options for individual policy provisions
- b) compliance timeframes for provisions that do not take immediate effect
- c) a discussion on the rationale for the geographic application (targeting) of provisions. Although treated as a separate policy question in the section 32 report, geographic targeting was considered on a policy-by-policy basis (unlike implementation and compliance timeframes).

The CBA also provides consideration of the most directive provisions and informs the impact summary set out in Section 4.

Table 1: Policy content of different option packages⁸

	Policy content	Brief description
Option 1	Enhanced Status Quo	
	Updates and clarifications to existing requirements under the NPS-UDC to strengthen their effectiveness, including the requirements for some councils to undertake processes to inform their plans:	
	<ul style="list-style-type: none"> Future Development Strategy (FDS) 	The FDS is a strategic planning process and product intended to ensure sufficient development capacity over the long term. Clarifying the requirement to use an LGA consultation process and better-aligned timing are among the changes intended to influence decisions made under other legislation, align infrastructure and land-use planning and improve general FDS practice.
	<ul style="list-style-type: none"> Housing and Business Development Capacity Assessments (HBA) 	HBAs serve as part of the evidence base to inform planning by councils. A range of technical and timing changes will make them more effective and better able to inform plans as intended.
	as well as updating other provisions that require councils to:	
	<ul style="list-style-type: none"> provide evidence of good decision making 	Require councils to monitor market indicators and publish reports on their analysis.
	<ul style="list-style-type: none"> coordinate planning practices with certain stakeholders 	Councils are encouraged to coordinate and align planning and infrastructure provision with other councils and infrastructure providers.
	<ul style="list-style-type: none"> seek to achieve effective and efficient urban environments 	Direction on a list of factors to consider when making planning decisions that provide for the wellbeing of people, communities and future generations.
	<ul style="list-style-type: none"> recognise that urban environments change over time 	Require urban areas to be allowed to develop and change in response to changing needs, attempting to reduce the status quo bias.
	<ul style="list-style-type: none"> enable opportunities for development 	Require provision of (at minimum) enough capacity to meet the diverse demands of their communities, including margins to encourage competitive land markets.
<ul style="list-style-type: none"> ensure plan content provides for expected levels of development 	Require a description of the expected outcomes of zones to be included in plans.	
Option 2	Option one plus new direction that enables improved urban development outcomes	
	Further change to policies that exist in the NPS-UDC, with a particular focus on outcomes:	
	<ul style="list-style-type: none"> the importance of well-functioning (formerly quality) urban environments 	Building on the “effective and efficient” provisions in the NPS-UDC and option one, this would highlight other factors of importance in ensuring good urban outcomes, particularly access – including to employment, amenity and services.
	<ul style="list-style-type: none"> new direction on interpreting reference to ‘amenity’ in the RMA 	Building on “urban environments change over time” provisions of option one, this would be more explicit that amenity values also change over time, and that different people and communities have different perspectives on amenity.
	Entirely new direction on:	
	<ul style="list-style-type: none"> the Treaty of Waitangi and taking into account values and aspirations of iwi and hapū 	Direction on applying the principles of the Treaty in urban environments and ensuring that urban outcomes work for Māori.
	<ul style="list-style-type: none"> climate change [post-consultation addition] 	The discussion document did not explicitly reference climate change despite its intent. This would add that reference to existing provisions.
<ul style="list-style-type: none"> housing affordability [post-consultation addition] 	The discussion document did not explicitly reference housing affordability. This would add that reference to make the intent clear.	
Option 3 (preferred approach)	Options one and two, plus new direction that removes barriers and enables improved responsiveness	
	New, directive intervention to facilitate efficient functioning of urban land markets and to remove constraints to development, particularly in tier one urban environments ⁹ , where the benefits can best be realised:	
	<ul style="list-style-type: none"> enabling more intensive development in key areas 	Tier one councils are required to enable greater intensification in and around areas of high employment and access and demand.
<ul style="list-style-type: none"> removing mandatory parking minima rules 	Councils cannot require car parking to be provided by developments (but developers can still choose to provide it). This will not change mobility car parking requirements.	

⁸ Provisions are divided into these groups based on how they were presented in the discussion document *Planning for successful cities: A discussion document on a proposed National Policy Statement on Urban Development* (the discussion document). A similar presentation is used in the section 32 report.

⁹ The NPS-UD applies to all urban environments of more than 10,000 people, which are then categorised into three tiers. Tier one consists of the greater urban areas of Auckland, Hamilton, Tauranga, Wellington and Christchurch.

	Policy content	Brief description
	<ul style="list-style-type: none"> responsive planning provisions 	Council with jurisdiction over urban environments are required to consider applications for unanticipated or out-of-sequence growth.
Option 3 (continued)	<ul style="list-style-type: none"> the need to monitor zones and identify rules that are unduly preventing development from occurring 	Building on “ensure plans allow for expected levels of development”, tier one councils to produce annual monitoring reports of their high- and medium-density zones and then review zone rules if uptake is inconsistent with expected development.
	<ul style="list-style-type: none"> considering what development capacity can reasonably be expected to be realised 	Building on existing requirements to calculate and provide sufficient development capacity as part of the “enabling opportunities for development” policy, councils would need to consider whether or not development capacity could be reasonably expected to be realised in those calculations (and provide further capacity to meet their bottom lines if required). The policy does not direct how reasonable expectations of realisation could be determined, but options include using developer and market information or using historical data to determine trends.

3.1.3 Criteria used in impact summary

Three criteria have been used for the purpose of this analysis. In order to be considered in scope, options first needed to also be consistent with the RMA, including its purpose, as this is a requirement of national direction instruments. The three analysis criteria used here are:

- a) Benefits and effectiveness at achieving the intent of the NPS-UD, as identified in section 2.3.2.
- b) Costs associated with the proposal for those implementing it, including financial costs.
- c) Risks: the likelihood that the estimated costs and benefits will be materially different from the primary estimate.

All three criteria are based on a comparison to the status quo (briefly described in 3.2.1 below).

These criteria are used twice throughout the rest of this section:

- a) Section 3.2 provides a short analysis of the status quo and three options
- b) Section 3.3 provides more detail on why option three is the preferred option.

3.2 Summary and brief analysis of the status quo and three options

3.2.1 Status quo

The existing NPS-UDC places a number of requirements on councils. These include the need to produce HBAs (for medium- and high-growth councils) and FDSs (for high-growth councils). Councils are required to enable enough development capacity to meet demand, including margins and feasibility of development, but not the likelihood of that capacity being realised (for reasons other than commercial feasibility). They must also monitor price signals and market indicators. The NPS-UDC also requires that urban areas be allowed to change over time, which has begun to generate case law against the status quo bias.

3.2.2 Option one would enhance existing provisions without substantive change

Option one's changes would be relatively minor and would include amendments to FDSs, HBAs, and the indicators and price signals that councils are required to monitor. Clearer guidance and consistency should allow councils to better share their knowledge and improve the effectiveness and efficiency of the implemented provisions. However, the fundamental issues with the NPS-UDC (outlined in 2.1.3 and 2.1.4) would not be addressed and, as such, overall effectiveness of option one would be limited.

There would be some costs to the implement the changes, but as the new provisions would be limited, existing work and guidance could be more easily repurposed or amended, reducing associated costs.

3.2.3 Option two would give guidance on what outcomes to achieve, but not how to get there

The provisions of option two would provide guidance to councils on outcomes they should achieve, while providing considerable flexibility in how to achieve them.

Significant provisions:

- a) highlight the importance of access and well-functioning urban environments
- b) require decision makers to consider broader urban outcomes, recognise that urban environments and amenity change over time, and that changes to urban form can be beneficial to different types of amenity
- c) acknowledge the relationship between urban environments and climate change to support change to the status quo
- d) provide direction on applying the principles of the Treaty in an urban context, which is currently done inconsistently.

While the flow-on effects of these provisions should contribute to achieving the intent of the NPS-UD, this contributes most to the aim to “adding a focus on outcomes of decisions, seeking particularly well-functioning urban environments that meet the needs of our diverse communities”. It is also expected to contribute to more competitive and responsive land markets, although this would rely on council implementation. These provisions could have a significant effect over the longer term, but they will be difficult to measure.

Costs are likewise difficult to measure, but they are likely to take place over a longer timeframe than the costs associated with option three.

3.2.4 Option three would provide strong direction and methods to help achieve the desired outcomes

Intensification

The directive intensification provisions of the NPS-UD would apply across tier one urban environments. There are three key categories of intensification:

- a) city centre zones will need to enable as much height and density as possible
- b) metropolitan centre zones and areas within walkable catchments of metropolitan and city centres and rapid transit stops will need to enable development of at least six storeys in height
- c) all other areas will need to enable height and density based on accessibility and demand.

The drafting also provides for exceptions, in which case the density and height would need to be as enabling as possible while managing the costs or risks associated with the exception.

This policy contributes to three of the statements of intent (objectives). By enabling greater density and height it will add to development capacity, and by doing so in areas of high demand and access it will improve the responsiveness and competitiveness of the market and will contribute to well-functioning urban environments. The exemption clauses will protect areas of significance from inappropriate development, while not preventing development altogether where the costs or risks can be managed.

Its effectiveness will be increased by the 'expected levels of development' policy, which will require tier one councils to monitor their medium- and high-density zones, and review the rules for those zones where uptake is not occurring as expected. This will result in further planning barriers being removed.

The process of determining how the intensification provisions apply across an urban environment and then progressing plan changes will likely require additional spending for some councils to resource these changes. These processes may also reveal the need to spend more on infrastructure (including new or upgraded provision of transport, water and community services) in order to meet housing demand. Currently some of these costs may be hidden in existing plans that do not adequately respond to market signals of demand. Across an urban area, or nationally, there may not be an increase in costs, but they are likely to be distributed unevenly.

The discussion document consulted on two options, which were discarded in favour of this option. One of these was a fully descriptive approach, which as a result of its flexibility had a lesser chance of unintended consequences, but a higher risk of a lesser impact. The other was a prescriptive approach, which would have provided less flexibility to accommodate local circumstances and therefore would likely have enabled greater capacity, but would have had a heightened risk of unintended consequences. The recommended policy combines prescriptiveness in areas where we know demand exists and is descriptive in areas where local variation is more appropriate.

Car parking

The car parking provisions will direct all councils with jurisdiction over urban environments to remove all mandatory car parking minima from their plans. It will not prevent them from setting maxima or prevent developers from including car parks. The policy does not remove the requirements for mobility car parking. This is intended to reduce unnecessary costs and also has the advantage of reducing subsidy for car ownership.

By removing unnecessary constraints and costs associated with developments it will improve the responsiveness of land markets, add capacity and will also contribute to the outcomes expected from well-functioning urban environments. There will be some costs involved in implementation of the policy for councils, including management of parking alternatives and congestion, but these can be managed by ensuring that costs associated with car ownership are internalised. Waka Kotahi NZ Transport Agency will also provide guidance to local authorities on how to manage car parking effectively, when the NPS-UD is gazetted. There are limited risks associated with this proposal.

Alternatives considered were to:

- a) remove the ability to set car parking minima in medium- and high-density zones
- b) remove the ability to set car parking minima for tier one councils
- c) remove the ability to set car parking maxima as well as minima for tier one councils
- d) remove the ability to set car parking minima for all councils, not just those with jurisdiction for urban environments.

The first three of these alternatives were proposed in the discussion document. Removing maxima had a higher chance of unexpected consequences than the preferred option. The effectiveness of the policy would have been limited by restricting

the scope of the policy to only tier one councils, and even further limited if it applied only to the medium- and high-density zones within them. The fourth alternative is noted in the s32AA further evaluation report but was deemed unsuitable as it would have resulted in inconsistency in the targeting of the policy relative to the rest of the NPS-UD, including its objectives. Given the relative ease of recovering costs, and supported by the CBA's analysis of its effectiveness, the preferred option is therefore to remove car parking minima from the plans of all three tiers.

Responsive planning

The NPS-UD provides direction to local authorities to be responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is unanticipated by RMA planning documents or out of sequence with planned land release. By adding in a 'threat of entry' this will help improve the responsiveness and competitiveness of the land and development markets by decreasing opportunities for land banking and ensuring planning responds to real world opportunities, while also contributing to good urban outcomes and increased development capacity.

Analysis undertaken also shows it will likely prevent hard boundaries being placed in regional policy statements. The policy will also require councils to engage with the development sector during the FDS process to help guide responsiveness to demand.

It is likely that there will be costs to councils to resource private plan change requests. However, the plan changes need to meet a significance test, which is intended to help limit these costs and in some circumstances the applicant will bear the costs of the plan change. This policy is also likely to cause an increase in emissions and congestion relative to the status quo, but cost will be offset to some extent by the provisions on intensification and the impact it will have on encouraging competitive land markets, and therefore housing affordability.

3.3 Option three is the preferred approach

Option three is the preferred approach because it is the most effective of the options, particularly in the short term, and this effectiveness outweighs its greater costs and risks. Advantages and disadvantages of the three options are discussed briefly below, and the costs and benefits of the preferred option are considered in more detail in Section 4.

Note that for all of the below, action taken sooner may reduce the need for costlier interventions later. This means that over the longer term (and relative to the status quo) costs may be reduced for both central and local government in the longer-term, or for those that are no longer suffering from externalised costs of urban development. This applies particularly to the higher-cost option three.

Option one has low costs and few risks, but also has limited benefits

The advantage of option one is the limited costs and risks associated with it. There are some upfront costs associated with implementing the provisions. However, relative to the status quo, clearer guidance and consistency should allow for reduced costs, including through the sharing of knowledge between affected councils. As its scope is limited to improving existing regulation, risks should also be limited. However, because its improvements will not address the fundamental limitations of the NPS-UDC, the effectiveness of these changes will also be marginal. The most significant cost and

benefit will most likely be felt by the formerly medium-growth councils, which would be required to prepare FDSs.

Option two is also relatively low cost, but outcomes are less secure and it will be slow to take effect

As is discussed in Table 1 and section 3.2.1, option two would introduce a range of new provisions associated with desired outcomes and some direction to reduce status quo bias and poor outcomes for Māori.

It would be slow to take effect as councils will need to consider how it affects them and determine what changes to make rather than being directed to make changes almost immediately. This slow and indirect process will also make it challenging to measure the impact of the new provisions.

Option two would introduce new provisions, so costs would be higher than for option one or under the status quo, but there would be a greater ability for affected councils (particularly tier one councils) to scale these costs alongside the benefits as suited them. This is one of the greater risks associated with option two; it would allow for significant local autonomy, which could limit the effectiveness of the policies, particularly as the status quo bias that the NPS-UD seeks to shift would be less directly addressed through the new amenity provisions than through the directive intervention of option three.

Option three is the most effective and fastest to take effect, but costs and risks are significantly higher

Officials expect that option three's provisions will have the greatest initial impact as they will oblige councils to go further than they would do if interpreting the option one and two provisions alone, as there is less room for bias towards the status quo to affect their implementation. These benefits are discussed above in section 3.2.4. While it is possible that the provisions of option two alone would also have a significant effect over the longer term, there will be a lead in time required for councils to determine how to apply them to their plans, and the lack of prescriptiveness means that status quo bias is more likely to limit their impacts. The existing framework and compliance timeframes will also oblige and facilitate faster changes than under option two's provisions alone. The directive nature of the additional provisions means the impact of option three has the added benefit of being relatively easy to measure.

The transfers and benefits expected from the changes discussed in 3.2.4 will also come with associated costs. In addition to policy and procedural costs to implement, substantial costs are expected to result from the need for new infrastructure to enable capacity in both brownfield and greenfield locations. These costs are likely to be passed onto ratepayers, some of whom are likely to perceive greater loss of 'amenity' as a result of their limited ability to influence the changes.

In order to manage these risks, we have in some cases recommended more flexible and less directive provisions. This in turn leads to a greater risk of variance in implementation, which may also reduce effectiveness and highlights the need for strong guidance, enforcement, monitoring and implementation practices.

The most significant change from the status quo under option three is for local authorities with jurisdiction over the Wellington urban environment. As a tier one urban

environment these local authorities would need to comply with the targeted new direction, in addition to the changes to the FDS targeting introduced under option one.

3.4 Consistency with Treaty of Waitangi settlement Acts

As required under settlement legislation and in accordance with the Crown's Treaty of Waitangi obligations, officials have considered how the policy proposals may impact particular Treaty settlement arrangements.

As the NPS-UD is a lower order legislation, settlement agreements would override conflicting provisions. Nonetheless, conflicts could cause confusion and increase risks and costs. The NPS-UD is not intended to conflict with Treaty settlements and arrangements, and analysis undertaken has not identified any inconsistencies. Officials have given specific consideration to how policy changes may impact the following settlements, and have identified no inconsistencies:

- a) Te Awa Tupua (Whanganui River)
- b) Ngāti Rangi (the Whangaehu River)
- c) Te Ture Whaimana o te Awa o Waikato (The Vision and Strategy from the Waikato and Waipā River iwi settlements)

While the objectives, policies and implementation provisions in the NPS-UD set direction for what local authorities must achieve or enable in their urban environments, the NPS leaves flexibility for local authorities and communities to determine how and where those matters are achieved in the context of locally relevant settlement commitments.

One policy is less flexible: the directive intensification policies (Policy 3 and the provisions in Subpart 6) require intensification outcomes in specific areas in tier one centres. These provisions direct councils to enable increased density in areas where those benefits are best realised. The directive intensification outcomes, without any exemptions, could potentially conflict with certain settlement obligations, in specific areas.

To remove this potential conflict, and to ensure requirements for denser development will not impact the ability to implement or be consistent with Treaty settlement legislation, we have included an exemption for Treaty settlement acts in the intensification provisions. This provides a mechanism for councils and communities to identify where a directive intensification outcome is incompatible with a settlement obligation, in which case regional policy statements and district plans only need to enable the highest level of development that is compatible with that obligation.

Section 4: Impact Analysis of the preferred option

4.1 Impacts will be felt across housing markets

4.1.1 Impacts will build as the NPS-UD is implemented by councils

The direct impact of the NPS-UD will begin to be felt almost immediately, as all objectives and policies in the NPS-UD will take effect from the commencement date (28 days after the gazette notice) and have an immediate impact on resource consenting decisions from this date. The impacts we seek are indirect and will occur over a longer timeframe, assuming that urban form begins to change as construction occurs in line with the altered planning decisions. Note that these indirect impacts are unlikely to be realised based on the NPS-UD alone, but are reliant on a number of other constraints being overcome as identified in section 6.2.

Demand to live in an area is typically indicated by an increase in land price. When land price is high enough, it is therefore economical for developers to create higher-density developments. If land costs keep inflating they can distort the change in use and suppress development. By removing planning constraints that prevent this from occurring, supply will begin to match demand and there will be an increase in higher-intensity development in existing urban areas (known as brownfield and greyfield development). This will align with areas with high amenity and employment opportunities, or where these are easily accessible via public transport. These developments may tend towards terraced housing and apartment buildings rather than standalone housing. This intensification, if done well, may support better-connected communities.

In some cases, cities may also expand outwards as greenfield development (development in formerly rural areas) occurs, and to support this councils are directed to be responsive to unanticipated or out of sequence developments through the NPS. These developments are required to contribute to well-functioning urban areas and be connected through transport corridors. Growth should also occur less in areas of high risk, such as along the coast or in areas prone to flooding, as a result of increased strategic planning.

As supply of housing begins to catch up to demand through this changing urban form, our housing markets will also begin to change. High cost of land will not necessarily mean a high dwelling cost as denser development will be enabled in areas of high land value. Instead, people will be able to give up space in order to reduce their costs where they wish to retain access to amenity or employment.

Over the short- to medium-term the removal of mandatory car parking minima is unlikely to mean fewer car parks, but they will begin to be provided differently in areas where land is expensive. Developers will seek to maximise the value of their land and individual buildings may see a reduction in car parks, which could be matched by greater use of car parking buildings.

4.1.2 Impacts will be felt differently across cities and across New Zealand

These impacts will vary across New Zealand, with the greatest benefits felt where the constraints are tightest; generally locations of high demand. While on average the urban area of Auckland will benefit the most, there will be variation within urban areas. City centres in particular are areas of high demand and are likely to see the greatest changes, both in terms of intensification and parking changes. Central areas under

high demand in some cities are likely to benefit more than the urban fringes of Auckland, for example.

4.1.3 Impacts will also be felt differently by different stakeholder groups

Direct impacts

Local authorities will be most directly affected, as they are responsible for planning and providing public infrastructure. Some local authorities as infrastructure providers may face substantial financial costs, largely as a result of revealed demand, that will need to be funded and financed. These costs will then be passed onto others, be it through rates, development contributions or other mechanisms. There will also be opportunity costs associated with these financial costs.

Indirect impacts

Over the longer term, we assume a range of indirect impacts will occur, subject to the constraints identified in section 6.2.

The most significant impact will be provision of a greater range of housing sizes and types, which will mean a greater variety of prices, enabling greater choice. This will benefit a wide range of people, but will particularly benefit **tenants and first-home buyers** as they rent to buy or rent at the lower end of the market, which is currently underproviding.

The improved ability to live where one wants, rather than compromising on location, will also reduce time and financial costs associated with accessing one's employment, amenity or services, creating what is known as a "consumer surplus".

Hapū and iwi, and Māori more broadly will benefit as urban planning and any subsequent urban development occurs in a way that reflects their voices and demands. They may also have interests as developers, captured under that stakeholder grouping.

Businesses will be able to co-locate with greater ease where greater density is permitted. These 'agglomeration benefits' will mean a productivity gain.

Some **landowners** may face overshadowing or the loss of views and other 'amenity'. Others may benefit less financially than they would under the status quo, as increasing land values will be less prone to capture. However, increases in density will also improve other forms of amenities, and some will also have greater ability to optimise their land.

Developers will have certainty regarding opportunities for and the costs and timing associated with development.

Central government and Crown entities include significant providers of development and other infrastructure and may also face new costs as urban areas change to better reflect demand.

Changing urban form is likely to come at a loss to peri-urban areas and some 'character' or amenity, although policies have been designed to avoid loss of matters identified as nationally important.

4.2 Impact summary tables.

Tables 2 and 3 show benefits and costs of the preferred package of NPS-UD provisions. Potential risks and unintended impacts are discussed in further detail in section 6.2. This includes how they are to be mitigated or managed.

When interpreting these, costs and benefits marked with an asterisk (*) are based on figures from modelling in the CBA and are for tier one urban environments alone unless stated otherwise; there will be additional costs of a lesser magnitude for other centres. As noted by PwC in the CBA and referenced in section 1.2.2 of this RIA, the cost and benefit figures of the CBA are conservative; they are not to be taken as the likely outcome, but an assessment of effects if (1) the status quo is better than feared and (2) the policy impact is weaker than believed. Costs are ordered roughly by magnitude of modelled or expected impact and evidence certainty. Figures from the CBA are from 2021-2043 while other impacts are short-term costs while the NPS-UD is implemented, unless stated otherwise.

Evidence certainty is deemed 'high' for costs and benefits drawn from the CBA, except for infrastructure costs which are considered 'low-medium' as these are particularly challenging to estimate. No other evidence certainty is deemed low, although it would have been if there were insufficient previous examples or modelling to draw upon.

Key assumptions used in the CBA include:

- a) A monocentric city of homogenous inhabitants, and other assumptions associated with the use of the Alonso Muth Mills model
- b) The ratio (50%) of households in greenfield developments that are diverted from elsewhere in the city vs those that are new additions to the city
- c) Housing supply elasticity for New Zealand's major urban environments.

These assumptions and caveats are discussed in further detail in the CBA itself.

Table 2: Additional costs compared to the status quo

Category	Affected parties	Comment: nature of cost (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks	Impact	Evidence certainty
Plan changes and pre-plan change work	Tier 1 local government	Short-term ongoing process costs – costs to enact plan changes through the RMA Schedule 1 processes (public notification, submissions, hearings, appeals) to give effect to the NPS-UD, particularly its intensification provisions. This includes the work required to consider how intensification and rules such as height or density requirements work with relation to access, in advance of notifying the plan changes themselves. This will require significant ground work from councils to determine and test ‘walkability’ and what is a ‘walkable catchment’ relative to existing topography and other constraints and to evidence and apply the exceptions policy. Councils may also need time to have strategic ‘planning for growth’ conversations with the community first, particularly those councils who haven’t discussed intensification with communities before prior to notifying plan changes. The average cost of 2017 plan changes that cited the NPS-UDC as a cause is ~\$135,000 (the most was expensive ~\$325,000), without appeal costs, but the NPS-UD plan changes are expected to be more complex and will likely receive many appeals.	Medium-high	Medium
	All councils with jurisdiction over urban environments	Ongoing process costs – additional costs to consider plan changes as mandated by responsive planning provisions.	Low	Medium
Staff time costs to develop Future Development Strategies	Former medium growth councils under the NPS-UDC unless they voluntarily undertook an FDS	Ongoing staff time costs – costs to develop and refresh FDSs under the new requirements. Formerly medium-growth councils will now be required to undertake FDSs, which they are not under the NPS-UDC. These previously cost up to \$2 million every three years, but costs are expected to be lower, due to a clearer process and the fact that a refresh is required after three years, rather than a comprehensive renewal, which is now six-yearly. Longer implementation timeframes and learnings from previous experience across the country are expected to also contribute to lower costs.	Low-medium	Medium-high
Staff time costs to manage replacement of car parking minima	Tier one, two and three local government and users of parking	Ongoing costs - increases in council parking management costs to manage congestion effects of lower parking provisions. These additional council costs may be minimal if congestion costs are passed onto parking users. To the extent that councils take action to shift the full social cost of parking onto users of parking, the costs to councils of removing minimums will approach zero.	\$67M* to \$100M for tier one councils alone. The upper limit makes an allowance for Tauranga which was not modelled due to lack of data. Tier two and tier three not modelled.	Medium-High
Environmental and vehicle-related externalities	Future generations Existing residents	Ongoing costs - increased congestion can reduce access and therefore agglomeration benefits and consumer surplus. The removal of car parking minima may result in congestion, parking in undesignated areas and some search costs. Greenfield expansion, in part enabled by the responsive planning provisions, may also increase car dependency. This has been modelled to take into account different car use scenarios, which impact the magnitude of the externalities. Although we expect a net decrease in congestion due to reduced car use through intensification around areas of high access and removal of a subsidy via the car-parking minima, there may be localised increases in congestion.	\$2,088M (high vehicle use scenario)* \$1,547M (low vehicle use scenario)*	High
Infrastructure costs and loss of peri-urban areas	Existing and new residents	Ongoing costs – existing infrastructure costs to support city growth that have been revealed by the implementation of the NPS-UD. These costs are shared by existing stakeholders in an infrastructure network if new entrants do not pay for the full marginal costs. Infrastructure costs include water supply, stormwater and wastewater management, open spaces and community facilities. Costs associated with loss of peri-urban areas (through greenfield expansion) are also included here.	\$646M*	Low-medium
Amenity (overshadowing and blocked views)	Existing and new residents	Ongoing amenity costs - less restrictive planning practices will enable a broader range of housing and businesses including at greater heights. This may include reduced amenity for some, including through overshadowing and blocked views. Although costs were not assessed, there may be some perceived loss of amenity (and character) for some residents as plans become more permissive of new development.	\$231M*	Medium
Staff time costs to develop the NPS-UD	MfE / HUD	Staff time costs – including FTEs and overheads	\$3M	High
Staff time costs for implementation of the NPS-UD	MfE / HUD	Staff time costs – total FTEs to develop/update guidance and materials to facilitate implementation	Low	Medium
Total monetised costs			\$2,494M - \$3,068M	Medium-high
Non-monetised costs			Medium	Medium

Table 3: Additional benefits compared to the status quo, net benefit and transfers

Category	Affected parties	Comment: nature or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks	Impact	Evidence certainty
Agglomeration benefits in production	Existing residents and future generations, businesses and government.	Positive 'spillovers' or external benefits of more firms and workers being closer to one another to share knowledge, inputs and match with better workers and customers. More affordable housing in high demand areas close to businesses and public transport improve these proximity or density benefits. Gains in productivity, profitability, wages and tax revenue accrue to businesses, households and government. Agglomeration benefits in consumption, where households gain from accessing more diverse goods and services, are not quantified due to a limited evidence base.	\$6,017M*	High
Consumer surplus	Existing residents and future generations, particularly homebuyers and renters.	Housing supply that is more responsive to price changes lowers housing prices for new housing market entrants compared to the status quo. Lower housing costs increase the difference between what consumers must pay for accommodation and what they're willing to pay – thereby providing an additional surplus to consumers. Higher levels of city intensification can increase the consumer surplus for greenfield housing by increasing supply overall and competition city land markets - which lowers prices. As such, two consumer surplus estimates are provided based on the degree of intensity in existing urban areas.	\$3,563M (high intensification uptake)* \$3,057M (low intensification uptake)*	High
Removal of minimum car parking requirements	Developers	Increases in mix used and commercially zoned property values due to reductions in the parking area per building and a corresponding increase in floor space. In the absence of mandatory parking, developers can choose the optimal mix of parking and floor space to maximise profits and therefore allocate land towards its highest value use. Benefits can vary based on the degree to which developers substitute parking for floor space.	\$864M (high response scenario)* \$335M (low response scenario)* Tauranga not modelled due to lack of data. Tier two and tier three not modelled.	Medium-High
Development, implementation and monitoring	Local Government	Ongoing staff time savings – reduced costs to develop and refresh FDSs under the new requirements. These previously cost up to \$2 million every three years, but costs are expected to be lower, due to a clearer process and the fact that a refresh is required after 3 years, rather than a comprehensive renewal. Longer implementation timeframes and learnings from previous experience across the country are expected to also contribute to lower costs.	Low-medium	Medium
		Ongoing staff time savings – reduced costs to develop and refresh HBAs under the new requirements. Gisborne and Marlborough district councils are no longer required to undertake HBAs. Tier two centres that were previously medium- or high-growth councils will now have to undertake a lighter form of the HBA which will also reduce costs.	Low	Medium
Reduced transaction costs	Developers	Ongoing - in addition to the removal of mandatory car-parking minima, developers will also face reduced transaction costs when seeking to develop higher-density buildings through the enabling of intensification and the removal of constraining rules.	Low-medium	Medium
Total monetised benefits			\$9,409M - \$10,445M (Tier One urban environments alone)	Medium-high
Non-monetised benefits			Low-medium	Medium
			Lower range (lower benefit and higher cost)	Higher range (higher benefit and lower cost)
Net benefit			\$6,341	\$7,951
Benefit-cost ratio			3.1	4.2
Category	Affected parties	Comment:	Impact (\$, millions)	Evidence certainty
Transfers	Future generations, first home buyers, renters	Ongoing - in addition to the strict costs and benefits above, there are large distributional consequences to the policy, which are not included in the benefit calculations above as these are redistributions rather than pure addition of benefit. They have been included on this page as they are a core purpose of the NPS-UD given the intended impact on housing affordability for all and reduced transfers from renters to existing landowners. Typically, these are transfers from existing land and property owners to renters and new homebuyers.	25,288 (in tier one urban environments alone)*	High

Section 5: Stakeholder views

5.1 Public and targeted consultation has occurred throughout the process

Prior to public consultation

During the policy development process, an advisory group provided feedback on the problem definition and options for addressing the problems identified. This feedback was primarily in relation to the proposed provisions regarding quality urban environments (now well-functioning urban environments), intensification and enabling expected levels of development. In implementing the NPS-UDC, officials worked closely with councils in areas identified as medium and high-growth by the NPS-UDC, identifying matters to resolve through changes to policy and opportunities to provide new direction.

In February 2019, a hui with Māori technical planning and design experts was held to better understand how to reflect the needs of iwi/Māori in the objectives and policies for a national policy statement on urban development.

Officials consulted other central government agencies and held discussions with Auckland Council staff as part of work on the Auckland Housing and Growth Partnership. Officials also established a technical working group to help develop methods for assessing housing development capacity that would produce rigorous results and be practicable for local authorities to implement and understand.

During the public consultation period

The Minister for the Environment agreed to consult publicly on a national policy statement on urban development using an officials-lead process under section 46A(4) of the RMA.

Public consultation on the discussion document opened on 21 August 2019 and submissions were accepted up until 31 October 2019. In total, 256 written submissions were received during the consultation period.

Public consultation was aligned as far as practicable with other related policy proposals such as the proposed National Policy Statement for Highly Productive Land (NPS-HPL) and the Government's proposal for national direction under the RMA for freshwater. This included a series of MfE led public meetings, hui, stakeholder meetings and meetings with local authorities in more than 30 centres across the country. These meetings focused on the Government's proposal for national direction on freshwater, but also provided information on the proposed NPS-UD.

During this period, officials held workshops with key industry stakeholders, including the development sector and local authorities, focussing on the most directive of the proposed NPS-UD policies.

Post-public consultation – technical advisory panel

As part of the officials-led process for developing an NPS-UD, the Minister for the Environment agreed to have the NPS-UD reviewed by an independent technical advisory panel. The four panel members were chosen for their expertise in resource management law, planning, tikanga Māori and the development sector.

The panel's role was limited to providing feedback on the intent of the NPS-UD and its provisions, rather than specific wording. Officials met with the panel in December 2019 and January 2020 to discuss and test proposed policy approaches. The panel expressed support, in general terms, the policy intent of the NPS-UD.

Targeted consultation in early 2020

In January/February 2020 officials contacted Ngāti Toa Rangatira, Taranaki Whānui ki Te Upoko o Te Ika and Tauranga iwi, because we had not received submissions from iwi in these major urban centres (MUC, a term since replaced by tier one urban environment). We received and accepted two additional submissions as a result of this engagement.

During February and March 2020, officials held meetings with staff from 12 local authorities experiencing medium to high growth rates and housing pressures. These meetings were to look at options for extending the application of certain NPS-UD policies (initially proposed to apply only to the MUC councils) to these additional urban areas. Matters discussed included the nature of the policies, the benefits of applying the policies to the additional areas and the criteria for determining to which areas the policies should apply. Officials also sought information from three local authorities that had recent practical experience of assessing the likelihood that development capacity would be “realised” within the short to medium term, in order to help draft effective and workable policy requirements on sufficient, feasible and ‘likely to be realised’ development capacity.

5.2 What do stakeholders think about the problem and the proposed solution?

5.2.1 Stakeholders supported the intent of the policy

Eighty-seven percent of all submitters to the NPS-UD expressed full or partial support for its intent. There was also general support for each of the objectives and policies outlined in the discussion document, excepting the greenfield policies. Submitters qualified their support for the policy intent by raising a wide range of potential issues and suggested improvements to the policy detail.

Submitters were generally supportive of the policies as they considered:

- a) an NPS to be an appropriate tool to help provide for quality urban environments
- b) intensification should occur close to public transport, employment and other amenities
- c) the most directive policies should apply to the areas that would benefit the most
- d) it will minimise the compliance costs for smaller local authorities
- e) evidence-based strategic decision-making will help ensure that development meets demands.

Where stakeholders opposed the proposal, they considered that national direction would not accommodate local and regional differences. Another frequently given reason for opposing the proposal was that the NPS-UDC, the status quo, was sufficient to address the defined problem. Submitters were also concerned that the success of the NPS-UD was too reliant on infrastructure funding.

The concern most frequently expressed with the direction of the proposed NPS-UD policy related to the example “greenfields” policy, suggesting it would undermine the intent of the NPS-UD to drive evidence-based decision-making and prove a drain on

council resources. A number of submitters also expressed concern about the lack of explicit reference to climate change noting that urban environments can support a low-carbon economy and the risks associated with urban development occurring in areas likely to be impacted by the effects of climate change. However, developers submitted a mechanism was required to provide for appropriate out-of-sequence development.

Local authorities supported the intent of the policy but requested greater clarity

Local authorities are the most interested and influential stakeholders and represented the largest proportion of submitters to the proposed NPS-UD. Local authorities were generally supportive of the intent of the NPS-UD. Local authorities sought greater clarity on the provisions in general and said that guidance to implement the HBA policies would be necessary. Local authorities were concerned about the resourcing implications of providing infrastructure for out of sequence greenfield development.

Hapū and iwi/Māori supported the intent of the policy

Hapū and iwi/Māori submitters largely supported the intent of the proposal, particularly the engagement proposals and the FDS provisions. Support was qualified by concerns regarding the need to both resource and support iwi participation in RMA processes, and calls for reassurance that the NPS-UD would not affect any of the existing rights of hapū and iwi/Māori or any existing participation arrangements. Submitters wanted reassurance that no additional restrictions would be placed on the use and development of Māori land and sought greater recognition of the Treaty and the status of Māori as partners to the Treaty.

Some submissions considered the greenfield policy contrary to long-term strategic urban planning and sought reassurance that effects on Māori sites of significance would be a consideration when enabling greenfield development. Feedback also highlighted opportunities for te Ao Māori to be a guide to quality urban development.

Submissions also focused on considering the environment in urban planning and the need for environment-specific provisions. Submissions sought balance and alignment with other national direction, including the proposed NPS-HPL and the proposed National Policy Statement on Indigenous Biodiversity.

Infrastructure providers sought assurance that assets would be protected

Infrastructure providers also supported the policy intent of the NPS-UD. However, they sought assurance that they would be involved in the processes associated with urban planning. Infrastructure providers also called for greater protection of their assets from reverse sensitivity effects relation to the intensification and responsive planning (greenfield development) proposals.

5.2.2 The proposed approach has been modified as a result of stakeholder feedback

Feedback (from public consultation, the technical advisory panel and targeted engagement) prompted a number of changes to the proposed NPS-UD. These changes include those made to refine policies or address technical issues, and more substantive changes to better achieve the intent of the proposed policy and the broader NPS-UD. The more substantive policy changes are discussed in the following paragraphs.

Describing “quality” urban environments (now well-functioning urban environments)

The proposed NPS-UD included policies that aimed to give direction on what is meant by a ‘quality urban environment’ both in existing and future urban environments. Following consultation, the term ‘quality urban environments’ has been replaced by ‘well-functioning urban environments’. This is due to the risk of the policy intent being undermined by a lack of clarity around the use of the term ‘quality’, and uncertainty regarding the scale at which these policies were intended to apply; many respondents interpreted ‘quality’ to refer to site-level characteristics and sought inclusion of urban design principles, which was not the intent of the policy. The revised policy states that planning decisions must contribute to ‘well-functioning urban environments’ and identifies important and nationally applicable characteristics of well-functioning urban environments, including having or enabling a variety of homes to meet people’s needs, having good access, limiting adverse impacts on land and development markets, supporting reductions in greenhouse gas emissions and being resilient to the effects of climate change.

Providing for intensification policies

The discussion document requested feedback on options (either a prescriptive or descriptive approach) for directing councils in MUCs to enable a certain level of development in particular locations.

In further testing of the implications of policies as consulted, analysis showed it is difficult to prescribe precise intensification metrics at a national level, without unintended consequences. The recommended, ‘scaled’ approach now includes a mixture of descriptive policies, which would provide guidelines for how local authorities set density in certain areas, and prescriptive policies that would set specific density provisions for areas where we have the greatest evidence of benefit – city centres, metro centres, town centres and near rapid transit stops. Feedback and additional analysis have also resulted in a more explicit ‘exceptions’ policy. This recognises that in some of the locations captured by this policy, intensification would be in conflict with matters such as adherence to Treaty settlement legislation, provision for infrastructure including nationally significant infrastructure, other national direction under the RMA and requirements for open space. The policy does not provide an exhaustive list of exceptions but requires a test to be met before an exception can be applied.

Enabling a more responsive planning system

An example policy was put forward in the discussion document that included provisions to direct local authorities within MUCs to be more responsive to greenfield plan change requests for urban development that were a) out of sequence, or b) unidentified in plans.

Following consultation and further analysis, the policy was considered likely to introduce a test that would decrease the ability of local authorities to respond to greenfield plan change requests when compared to the status quo.

The policy has been revised to ensure councils consider plan changes that would add significantly to development capacity and contribute to well-functioning urban environments even if the plan changes have not been anticipated by RMA planning documents and would be out of sequence with planned land release.

Application of NPS-UD policies

The discussion document proposed focusing the most directive policies on the fastest growing areas (the MUCs), with the largest urban pressures or the largest urban areas, effectively replacing the NPS-UDC's three-tier system with a two-tier system.

Census data released in December 2019 identified additional councils dealing with housing pressures that would benefit from the most directive policies. Officials have also had feedback from medium-growth councils that the existing policies were useful for their planning activity.

As a result, retention of the three-tiered approach is recommended. This will ensure that the councils that will benefit from the directive policies will be required to adopt these policies scaled to the degree appropriate to the level of housing pressure in their jurisdiction.

Addressing climate change

Several submissions expressed concern that the proposed NPS-UD did not explicitly reference climate change. To provide a clear signal that New Zealand's urban environments are expected to have positive climate change outcomes, an objective expressing this expectation has been added to the NPS-UD. The policy requiring planning decisions to contribute to well-functioning urban environments now also includes a specific reference to supporting reductions in greenhouse gas emissions and resilience to the effects of climate change. These amendments mean decision-makers will be required to have particular regard to the current and future effects of climate change when making decisions relating to urban environments.

Addressing housing affordability

Several submissions expressed concern that the proposed NPS-UD did not explicitly signal that the NPS-UD is expected to help improve housing affordability. There is no consistently agreed upon definition of the term "affordable housing", so to avoid unintended consequences resulting from particular interpretations of the term we have included an objective that clearly states the intent of the NPS-UD is to support housing affordability as delivered through planning decisions that support competitive land markets.

Taking into account the values and aspirations of Māori

The provisions included in the discussion document intended to ensure that Māori values are anchored in decisions made on regional policy statements, regional and district plans, and strategies (including FDSs) that affect the urban environment. Following submissions and subsequent analysis, the proposed provisions were found to be too narrow to achieve the policy intent. To address this, a new objective and policies on taking into account the Treaty have been included in the NPS-UD. The features of a well-functioning urban environment have been revised to ensure a well-functioning urban environment is one where Māori can express their cultural traditions and norms.

The NPS-UD now includes a requirement for councils to understand Māori housing demand and how well this demand is being met. This information will ensure councils understand and provide for Māori housing demand in their FDS and any relevant planning processes.

Section 6: Implementation and operation

6.1 How will the new arrangements be given effect?

6.1.1 HUD and MfE are jointly responsible for the implementation and enforcement of the NPS-UD

HUD is responsible for the initial development of the implementation plan, with support from MfE. However, ultimate responsibility for the effective implementation of the NPS-UD will sit with both agencies. Enforcement of the NPS-UD requirements is likely to be the responsibility of MfE.

HUD and MfE have been increasing resourcing for place-based approaches over the past year, and this approach can support the implementation of the NPS-UD. Implementation and enforcement will be funded through agency baselines. This is estimated at approximately 10 to 15 staff¹⁰ and costs of between \$1 million to \$1.7 million per annum. However, these staff are unlikely to be working full time on the NPS-UD and so costs may be lower. This funding will include:

- a) producing guidance
- b) monitoring and evaluation, including both UGA and NPS-UD specific monitoring (see Section 7)
- c) input on plan changes
- d) engagement with councils through the growth partnerships and other relationships.

There will be further support through the wider UGA programme and other government agencies

The wider UGA programme will also be valuable to support implementation and reduce implementation risks, across all agencies that are involved. For example, the Infrastructure Funding and Financing (IFF) work will provide a new tool to facilitate the provision of infrastructure, while the growth partnerships will assist with the management and mitigation of risks and will provide a channel for the provision of information.

Cooperation with the New Zealand Transport Agency Waka Kotahi (NZTA) and the Ministry of Transport will also be critical to the success of the NPS-UD. These two agencies will need to provide additional support through guidance on comprehensive car parking management plans and accessibility mapping to support the implementation of the intensification provisions, particularly for Tier 1 urban environments. Revealed infrastructure costs may also require expenditure from agencies such as the Ministries of Transport and Education, but these are growth-related business-as-usual expenses.

6.1.2 Councils will require support in implementing the NPS-UD

The NPS-UD will be issued in line with the process set out in s54 of the RMA:

When a national policy statement is issued, reviewed, changed, or revoked, the Minister shall—

¹⁰ Using median salaries for HUD policy staff and assuming a ratio of 1:3:1 for principal policy advisors, senior policy advisors and policy advisors.

- a) publish the statement, review, change, or revocation in whatever form he or she thinks appropriate; and
- b) send a copy of it to every local authority; and
- c) give public notice of its issue, review, change, or revocation.

It will be supported by a package of non-statutory guidance and other implementation actions. Officials are currently developing a compliance and enforcement strategy and a monitoring and evaluation strategy to guide the creation of this package. An effective implementation programme is critical to extract maximum value from the NPS-UD, while also reducing compliance costs for local authorities.

The implementation plan assumes that local government has become familiar with the new skills and ways of thinking required under the NPS-UDC, including economic modelling and using price signals. However, to successfully implement the NPS-UD it will be important to take into account the lessons learned from the implementation of the NPS-UDC. Feedback has been received from councils about what implementation support was and was not useful in helping them to meet the requirements of the NPS-UDC. These and other sources suggest that in order to give effect to the NPS-UD as intended, the following will be needed:

- a) **Effective and targeted support for councils in implementing the requirements of the NPS-UD:** Councils stated that the support provided by Government for the implementation of the NPS-UDC was highly valuable, but identified areas where it could be improved. Better coordination was needed between government agencies in the support that was provided. Implementation of the NPS-UD will therefore have a focus on identifying the team or agency that is best placed to support particular aspects or councils, and ensuring that there is a clear and unified view on what needs to be delivered to councils.
- b) **Promoting new and existing collaborative relationships between councils to support implementation:** There may be a significant opportunity to facilitate collaborative relationships, including information-sharing and peer support, between councils in order to support the implementation of the NPS-UD. Such networks could be particularly valuable for smaller councils. The government should explore opportunities to create and promote these networks.
- c) **A stronger and more nuanced compliance and enforcement strategy:** The NPS-UDC was primarily focused on supporting councils to comply and did not have a focus on more punitive or deterrent strategies. This was due to the large number of new requirements being placed on councils. Additionally, there is a limited range of tools for addressing non-compliance in the RMA (see section 7.1.4). However, now that councils have had time to get used to the broad requirements of the NPS-UDC, the NPS-UD presents an opportunity to achieve higher compliance rates through a more detailed compliance and enforcement strategy. This strategy is currently being developed. It aims to enhance council compliance with the NPS-UD requirements and will seek to support councils to comply in the first instance, while still having a range of effective and proportionate tools to manage non-compliance when it does occur.

Other necessary features of the implementation plan are intended to include:

- a) a launch of the NPS-UD, including updated written introductory guidance that explains the NPS-UD provisions, focusing on what has changed from the NPS-UDC
- b) updated written guidance on the housing and business development capacity assessments, monitoring and responsive planning
- c) workshops and training with all local authorities, with a focus on tier one local authorities
- d) ensuring local authorities have access to necessary data
- e) central government monitoring of how well local authorities are implementing the requirements of the NPS-UD, including regular reports to the relevant Ministers
- f) central government review of which councils are in tiers one, two and three of the NPS-UD by the end of 2025.

6.1.3 Transitional arrangements will facilitate successful implementation

Given the other work underway in the resource management system, including reform, other initiatives and business-as-usual planning processes, a range of transitional arrangements will be required to give effect to the NPS-UD, including:

- a) FDS provisions will require a degree of transitional flexibility to incorporate spatial planning work already underway as part of the multiple ‘Urban Growth Partnerships’ between central government, local government and mana whenua in tier one urban environments and in Queenstown. These partnerships are in varying stages, but they all reflect a strategic spatial planning process. It is therefore important that there are incentives for the outputs (e.g. spatial plan) of the ‘Urban Growth Partnerships’ to reflect requirements in the NPS-UD provisions for an FDS, to ensure that there is alignment rather than duplication of work.
- b) FDSs and HBAs will require flexibility to enable transition from the NPS-UDC timeframes to those of the NPS-UD, while also seeking to maximise the benefits of the policy as soon as possible.
- c) References to specific zones, particularly in the “intensification” and “ensuring plans allow for expected levels of development” provisions, which are based on the National Planning Standards, will need to be read as the nearest possible equivalent until the National Planning Standards are fully implemented.
- d) Councils will have a period of time to notify plan changes implementing directive policies such as intensification and car parking (and their less directive equivalent for tier two and three councils), as discussed in section 6.1.4.

6.1.4 The NPS-UD will be implemented in phases

Introductory guidance will need to be ready to go as soon as the NPS-UD comes into effect. Other guidance may be of lower priority and can be introduced after the NPS-UD is gazetted. Some ongoing implementation support will also be required. Work is ongoing as to what support will be most effective to enable councils to meet the objectives of the NPS-UD. Table 4 below sets out implementation deadlines and ongoing compliance timeframes.

Table 4: Implementation timeframes for the NPS-UD

Time	Requirements
Initial implementation	

Time	Requirements
<ul style="list-style-type: none"> Immediately from date of Gazettal 	All objectives apply
<ul style="list-style-type: none"> No later than 31 December 2021 	Tier one and tier two councils have completed the housing assessment aspect of the new HBAs
<ul style="list-style-type: none"> 18 months from Gazettal 	Tier one, two and three councils have removed provisions in plans relating to car parking minima
<ul style="list-style-type: none"> 2 years from Gazettal 	Tier one and tier two councils have notified plan changes implementing intensification policies
<ul style="list-style-type: none"> As soon as practicable 	Tier three councils have notified plan changes implementing intensification policies
<ul style="list-style-type: none"> In time to inform 2024 long term plans 	Full HBA completed FDSs prepared or reviewed
Ongoing timeframes	
<ul style="list-style-type: none"> Quarterly 	Monitor housing indicators
<ul style="list-style-type: none"> Annually 	Issue monitoring report on development uptake in medium- and high-density zones
<ul style="list-style-type: none"> In time to inform notification of zone changes within 12 months of release of monitoring report 	Evaluation of zone rules
<ul style="list-style-type: none"> Every three years 	HBA updated to inform FDS, long term plan, infrastructure strategies FDSs reviewed and updated
<ul style="list-style-type: none"> Every six years 	New FDS prepared

6.2 Risks and mitigation

The following are risks that have already been identified and that officials are working to manage or mitigate as required. Officials will continue to work to identify others as they arise during the implementation process, including through ongoing discussion with councils on their progress.

6.2.2 Provision of infrastructure, for both local and central government

One of the significant constraints on these policies is the ability of councils and central government to provide infrastructure to enable development capacity. If infrastructure is not provided to support the requirements of the NPS-UD for either of the reasons below, it is likely to undermine the intent of the NPS-UD (such as by limiting the competitiveness of land markets) and could lead to perverse outcomes.

Cost constraints

One risk is that councils and central government do not manage infrastructure funding and financing adequately. This is particularly the case for the intensification and responsive planning provisions, and the requirement to provide sufficient development capacity, including competitive margins, in the short and medium term (which require infrastructure to be in the ground or planned and funded). Any infrastructure funding will also come with an associated opportunity cost.

Both three waters and transport infrastructure are potential constraints to providing development capacity, particularly water infrastructure for brownfield development and transport infrastructure for greenfield development. Other infrastructure, such as community, medical and educational facilities, will also need to be provided to ensure good urban outcomes in new areas, alongside transport infrastructure that facilitates active or public transport.

Strategic planning through the FDSs will help to mitigate these risks, particularly by planning development around key infrastructure corridors and involving central government in these processes to ensure all infrastructure can be provided. Other mitigation will come through other work programmes, discussed in section 6.2.3.

Legislative constraints

Other legislation may also constrain the provision of infrastructure required under the NPS-UD. For example, the LGA enables councils to charge developers only for the costs of their development. The costs of requiring councils to provide excess capacity is not recoverable from this source. Councils facing other pressures, and those that may already be up against their debt ceilings, might not include margins they consider unjustified when calculating development capacity in their long term plans which are outside of the purview of national direction as they are LGA plans. The Office of the Auditor General (OAG) may view this as acceptable, so long as councils are transparent about it and it helps them stay within their debt limits and comply with LGA financial prudence requirements. To mitigate this, officials will work with OAG auditors for Tier 1 and 2 local authorities to ensure they understand the intent and purpose of the NPS-UD and its integration with planning under the LGA.

The Infrastructure Funding and Financing work under the UGA will help to mitigate this by providing councils with the ability to keep infrastructure expenditure off their balance sheets and therefore avoid breaching their debt ceilings.

6.2.3 Other central government work programmes

The NPS-UD is supported by other work programmes, particularly those under the UGA. This applies both to addressing other constraints (including infrastructure costs above) and facilitating enforcement, given the RMA's limited enforcement levers. Some of these include:

- a) **Infrastructure Funding and Financing** to help to limit financial constraints on the provision of infrastructure.
- b) **Growth partnerships**, which will be particularly important for ensuring central government involvement in significant infrastructure decisions, facilitating compliance with the NPS-UD and helping to monitor progress.
- c) **Transport pricing**, which will affect the balance of demand for brownfield growth vis à vis greenfield growth and will therefore affect the infrastructure required to create development capacity.
- d) **Accessibility mapping and parking management plans**, which will also be important to achieve successful outcomes and will be reliant on guidance and assistance from the Ministry of Transport and NZTA.

While these may not address underlying system issues, they will help to mitigate issues in the short-to-medium term.

6.2.4 Covid-19

The recent Covid-19 pandemic is likely to exacerbate existing risks and constraints, particular the funding obligations associated with enabling new development capacity should New Zealand enter a recession. Development contributions, for example, may not be a viable option for recuperating costs if the construction sector is impacted, which seems likely.

In the short term, Covid-19 will likely impact demand for housing. Changes to demand and the development sector will make HBAs and FDSs much more challenging as the data underlying them is likely to become less certain. The next iteration of HBAs in particular may generate atypical results as they may represent a shock to the market rather than an underlying trend.

This will be mitigated in part by the requirement to renew HBAs every three years, and the scenario testing provisions within the HBAs will enable councils to prepare for different scenarios and therefore be more flexible to changes in the market.

The NPS-UD will also play a role in rebuilding momentum in the residential construction and vertical construction markets as the economy rebuilds following the impact of Covid-19. It will help to avoid a repeat of the global financial crisis, which saw a decrease in housing building of about 50 per cent and a recovery time of nearly a decade.

6.2.5 Outcomes are dependent on implementation by councils

The desired outcomes of the NPS-UD are heavily dependent on the implementation by councils. In order to mitigate associated risks, central government is developing guidance that is relevant and useful to councils, prioritising guidance that is immediately necessary (particularly with relation to the more directive interventions) over other guidance that can be provided at a later date.

6.2.6 Implementing or monitoring parties may suffer from resourcing issues

In addition to infrastructure costs, processes involved in implementation or monitoring may be costly, including modelling and plan changes. Implementation and enforcement of the NPS-UD is complex, and some local authorities may have capacity and capability issues. Government agencies may need to work alongside these local authorities to support them, in addition to the stronger compliance and enforcement strategy outlined. This will require a lift in resourcing from relevant agencies in these limited instances. Officials will continue to engage with councils during implementation and will consider the provision of support as needs arise. As outlined in 6.1.1, HUD and MfE have been increasing resourcing for place-based approaches that can support the implementation of the NPS UD over the past year. The risk of resource issues is mitigated in several ways:

- a) The NPS-UD provides varied timeframes for the most directive policies to reduce peak workload, while the majority of policies are to be implemented 'as soon as practicable' to allow for flexibility where limited resources can be evidenced. Councils with jurisdiction of smaller urban environments (tier three) have also been given a longer timeframe to notify plan changes to give effect to the intensification provisions to help mitigate this risk.

- b) Officials will develop an implementation plan where government agencies take a tiered approach to support provided either through formal partnerships or lighter touch provision of guidance and information.
- c) Officials are also working to stage guidance to support implementation and reduce costs to central and local government based on the order in which NPS requirements will take effect.
- d) Provisions have been designed to be flexible enough to accommodate local needs where there is evidence of a need for exceptions or variations.
- e) Growth partnerships and other central-local government relationships will be leveraged to understand challenges, and support councils as they proceed through the implementation phase.

6.2.7 Councils may struggle to manage the interactions between different pieces of national direction

There are a number of national direction instruments (proposed and existing) that are expected to interact with the NPS-UD, including the NPS-HPL, the National Policy Statement for Freshwater Management, the National Environmental Standards for Freshwater and the National Policy Statement for Indigenous Biodiversity. These instruments are at different stages of development.

Interactions and trade-offs between decisions directed by these national direction instruments are to be expected; however, as each is ultimately approved separately, there is a risk that these interactions could place the desired outcomes of one national direction instrument over those of another. This could include constraints that limit the NPS-UD's ability to contribute to competitive urban markets or could add other constraints such as unduly increasing construction or planning costs. The addition of time and complexity to planning processes to manage these trade-offs may also limit the ability of councils to be responsive in their planning.

Agencies are working to align the NPSs in development and will jointly provide non-statutory guidance to further support successful implementation. Growth partnerships and FDSs will also be important tools to manage these interactions.

6.2.8 Development in inappropriate locations

There is a risk that either greenfield or brownfield development could occur in an area that is not appropriate for development. While this is a risk over the long term it is particularly significant in the short term given the requirement that development capacity can only be considered 'sufficient' if it is 'reasonably expected to be realised' and is likely to result in the need to enable new capacity in a relatively short period of time.

A number of provisions within the NPS-UD have been designed to mitigate this risk, particularly for areas already identified within section 6 of the RMA as 'nationally important':

- a) the intensification provisions have an explicit exceptions clause
- b) FDSs require councils to identify environmental constraints (with the intent to manage growth around or away from these)
- c) the responsive planning provisions only require councils to consider plan changes, but does not affect the underlying requirements to consider the costs, benefits and risks of the proposals.

Section 7: Monitoring, evaluation and review

7.1 How will the impact of the new arrangements be monitored?

7.1.1 A range of data sources will help to monitor implementation of the NPS-UD

MfE and HUD propose to monitor the effectiveness of the NPS-UD in contributing to the UGA's objectives and in achieving the intent and objectives of the NPS-UD, and to report on this to the Minister for the Environment and Minister for Urban Development regularly. Monitoring will build on the expertise developed under the NPS-UDC and will draw on resources across the UGA, particularly the growth partnerships.

MfE and HUD will gather data on the implementation of the NPS-UD, including:

- a) Decisions relating to urban development to meet the NPS-UD requirements, focussing attention on significant decisions such as district plan reviews and plan changes, and decisions that could affect development capacity at scale, in medium or high growth urban areas.
- b) Territorial authorities' completion, timeliness and quality of required products such as HBAs and FDSs.
- c) Required reporting, including bottom lines and monitoring of housing and development markets.
- d) Whether or not councils contact Ministers regarding a lack of capacity, as they are required to do.

Some of these will be facilitated by MfE's National Monitoring System, which collects data from all local authorities on their RMA processes, including any plan changes to implement national direction such as the NPS-UD.

Other information will be gathered through direct interactions with territorial authorities. Ongoing relationships including the UGA's growth partnerships will be a particularly valuable source of data as well as a means to resolve compliance issues.

7.1.2 This will be compared against the outcomes sought

Data will be gathered through:

- a) Ongoing monitoring by HUD of a wide range of housing and urban development outcomes. This will primarily be sourced through a dashboard of indicators, building on the existing Urban Development Capacity dashboard developed for the NPS-UDC. Indicators will include measures of housing deprivation, affordability of rents and home ownership, and the responsiveness of urban development to growth.
- b) Monitoring of price efficiency indicators that provide information about pressures in housing markets in MUCs.
- c) Monitoring of territorial authorities' deliverables, particularly their HBAs and FDSs, which will demonstrate the impacts of the NPS-UD on the amount, type and locations of available development capacity.

In order to identify whether or not impacts materialise, MfE and HUD will need to compare the implementation data outlined in the section above, with the monitoring of outcomes.

This will help determine whether outcomes are substantially improving or worsening. It may nonetheless be difficult to identify whether changes have occurred as a result of

the NPS-UD as opposed to other work under the UGA, or in the wider housing and urban development portfolios.

7.1.3 These will need to be considered against the ongoing changes to the RMA and the UGA as a whole

A review of the RMA is underway

MfE's regulatory stewardship strategy sets out the monitoring and evaluation provisions in place to determine whether the legislation (and regulations under that legislation) are, and will remain, fit for purpose.

An assessment of the Resource Management regulatory system carried out by MfE in 2017 identified that the system is not keeping pace with changes to the context within which it operates, particularly regarding urban environments. Structural barriers were identified as limiting the ability of the system to adapt appropriately.

In November 2018, the government agreed to undertake a comprehensive review of the resource management system with the aim of addressing these structural barriers, improving environmental outcomes and enabling better and timely urban and other development within environmental limits.

UGA progress

Work is also currently underway to assess the overall progress of the UGA programme against its objectives and where it may need to go in the future. This includes doing a stock take of the programme and a review of how far it has come. Officials are working to ensure this assessment supports the monitoring of the NPS-UD and vice versa, including by aligning their evidence bases where possible.

Existing UGA governance arrangements, including the UGA programme board acting as governance across the UGA, will extend to implementation of the NPS-UD post gazettal to ensure its implementation contributes to achieving UGA objectives.

Arrangements will also be in place to ensure the specific NPS-UD implementation deliverables are achieved and will be coordinated with the overall UGA approach.

7.1.4 If monitoring reveals issues, enforcement actions are available

Throughout the monitoring and evaluation process, officials will look for reasons for non-compliance or ineffectiveness, and provide advice on the appropriate government intervention. These interventions could include:

- a) options under the RMA available to the Minister for the Environment to:
 - i. investigate the performance of local authorities in giving effect to the NPS-UD
 - ii. provide recommendations to local authorities on improving their performance
 - iii. direct plan changes
 - iv. as a last resort, apply residual powers to appoint someone to carry out the local authority's functions and duties.
- b) greater involvement by central government in plan change consultations under Schedule 1, clause 3 of the RMA
- c) provision of other government support for implementation (for example financing of infrastructure)

- d) another government initiative
- e) amendment of the NPS-UD.

7.2 When and how will the new arrangements be reviewed?

The Minister of the Environment will review the NPS-UD within five years of its Gazettal. This commitment will be made through the Cabinet paper approving the gazettal of the NPS-UD. The NPS-UD itself will not include any provisions to require a review by a particular date, unlike the NPS-UDC. This is because national direction cannot bind ministers. The review will draw on the monitoring and evaluation done under the NPS-UD and through broader UGA monitoring and ongoing engagement with councils and other central government agencies.

In addition to the five-year timeframe, ongoing monitoring of the NPS UD will also be in place (as outlined in section 7.1). This will help to manage local and regional differences and the risk of unintended consequences by ensuring there is ongoing stakeholder consultation and that feedback loops in place.