

Annotated version incorporating changes sought by and comments made on behalf of
CDL Land NZ Limited ("CDL")



Proposed National Policy Statement on Urban Development Capacity CONSULTATION DOCUMENT

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Message from the Minister

This new national direction on urban development is required to make the Resource Management Act work better for housing and business growth. It complements an amendment Bill currently before Parliament that puts specific new legal requirements on councils to provide enough development capacity to meet demand.

Three critical issues are addressed in this policy.

Firstly, it connects planning decisions with economics. This is crucial, given the greatest increase in house prices over the past two decades has been in the cost of sections rather than the built house. Price signals, commercial feasibility and ensuring sufficient competition in supply will become required legal considerations in land use planning decisions.

Secondly, this policy requires more responsive planning. Auckland is currently stuck in rules developed more than 20 years ago. This new policy will require short, medium and long-term policies to manage growth and regular reviews for ensuring plans are up-to-date and relevant.

Thirdly, this policy rebalances the national and local interests. A major problem in the current framework is that housing affordability is a national issue but the key regulatory levers to address supply rest with councils whose consideration is very locally focused. This policy requires councils and the Environment Court to put greater weight on the national importance of sufficient land supply for housing and business growth.

This policy is carefully nuanced to the different growth pressures across New Zealand's towns and cities. There are requirements for all urban areas in this policy but these become greater in medium-growth areas and are most demanding in high-growth areas.

This new approach to issues of urban development is heavily influenced by the comprehensive work by the Productivity Commission with its 2015 report on land supply and its influence on housing affordability.

This new urban policy statement is part of the Government's broader reforms to strengthen national direction under the Resource Management Act. We are progressing more national policies, standards and regulations than any previous government on key issues like water, coastal management, telecommunications, forestry, pest control and now urban development.

This proposed national policy statement is a powerful tool to make our urban environments work better in supporting growth of housing and employment. We welcome your feedback so we can get it right.



Hon Dr Nick Smith

Minister for the Environment
Minister for Building and Housing



Proposed National Policy Statement on Urban Development Capacity 2016

Preamble

[CDL Comment: CDL agrees that it is desirable to introduce a NPS that addresses urban development capacity but is concerned that the preamble and the subsequent substantive text address not only quantitative concerns (ie: concerns related to capacity) but also qualitative matters (ie: concerns regarding the form of subsequent development). That extends the focus of the NPS beyond capacity and dilutes its effectiveness, particularly given the lack of direction in the policies regarding the government's expectations as to how and at what rate councils will provide that capacity.

CDL's preference would be for a far more directed and focused NPS which imposes on councils quantitative requirements, tied to timeframes, with respect to the provision of sufficient capacity to accommodate growth.

More broadly, CDL considers that there is rarely any adverse effect that flows from the provision of excess supply of land for urban activity. CDL considers that the provision of an excess supply of land will not result in lower density development or the waste of land (as the relevant district plan provisions will control the density and form of development). It will, however, promote competition between developers and reduce the incentive for developers to ration the release of sections and dwellings onto the market so as to maximise prices. Accordingly, CDL considers that the NPS should encourage councils to over-provide zoned land for urban purposes other than where there are compelling reasons to do otherwise.

The relief sought by CDL is shown through annotations (ie: underlining of proposed additional text and ~~striking through~~ of text that CDL considers should be deleted).

New Zealand is one of the most urbanised countries in the world, with 73 percent of us living in cities of at least 30,000 people¹.

~~Cities are characterised by their intensity, the access they provide to things that people value, their scale, and often by high rates of population and economic growth. These have both positive and negative impacts: successful cities maximise the positives and minimise the negatives. Successful cities provide people with access to a choice of homes and opportunities to earn income, and attractive built and natural environments. They have good quality physical and social infrastructure and open space. They use resources efficiently, and they minimise their environmental footprint. They make the most of their ability to connect to other parts of the world. Such cities attract people and investment, and are therefore constantly changing, dynamic places that make a significant contribution to national economic performance.~~

~~Local authorities play an important role in shaping the success of our cities by planning for growth and change, and providing critical infrastructure. Ideally, urban planning should enable people and communities to provide for their social, economic and cultural wellbeing through~~

development, while managing its effects. This is a challenging role, because cities are complex places; they develop as a result of numerous individual decisions, and this often involves conflict between diverse preferences.

This National Policy Statement provides direction to decision-makers under the RMA on urban planning. It has a particular focus on ensuring that planning enables development through providing sufficient development capacity for housing and businesses.

[CDL Comment: The yellow highlighted passage above addresses the capacity issue whereas the previous grey highlighted passages discuss qualitative aspects of urban planning.

Those qualitative matters ought to already be addressed in existing district plan provisions that govern urban areas. CDL's understanding is that the NPS is not intended to impact on the drafting of those provisions (ie: to require their redrafting) but, instead, to ensure that sufficient land is set aside (whether subject to future urban zonings or to operative urban zonings) to accommodate demand.

In the circumstances, the paragraphs that discuss qualitative matters simply create ambiguity as to the focus of the NPS and may be treated by councils as requiring them to impose stricter standards (eg: with respect to urban design) and more laborious processes in terms of existing district plan provisions.

CDL considers that the passages that discuss qualitative matters should be deleted and the NPS focused more expressly and exclusively on capacity.]

The National Policy Statement aims to help reduce regulatory barriers to the supply of housing, and reduce the cost of housing relative to income. High house prices drive wealth inequality, increase the fiscal burden of housing-related welfare, and pose a risk to the national economy.

It is also important that planning balances the supply of land for housing and business, provides good accessibility between housing and businesses, and provides the social infrastructure necessary in a successful city.

An overarching theme running through this National Policy Statement is that planning decisions must actively enable growth and development in urban areas, ~~and accommodate that in such a way as to maximise wellbeing now and in the future.~~

[CDL Comment: Again, the grey highlighted text is problematic as it shifts the focus from the quantity of development opportunity (capacity) to the quality of development, which is a far broader issue and quite a different problem. CDL therefore considers that the grey highlighted text should be deleted.]

¹ According to Statistics New Zealand's most recent estimates.

The National Policy Statement requires plans to provide sufficient development capacity to meet long term demand. This includes both the total number of dwellings and the amount of business space needed, and the range of demands for different sizes, types and locations.

[CDL Comment: This paragraph addresses a matter that the subsequent objectives and policies do not clearly resolve. CDL considers that the NPS should explicitly identify the scale and level of market subdivision at which capacity is required to address demand. That is, is capacity to be assessed at a regional, sub-regional, district or local level; and to what extent are shortfalls in market sectors relevant to that assessment?]

Another key theme running through the National Policy Statement is for planning to better understand the property market and enable it to provide for the community's needs. While taking account of all factors that affect well-being, planning should respond to demand, enable what is commercially feasible, and promote competitive land and development markets. The National Policy Statement requires planning to place a greater emphasis on monitoring what is happening on the ground, and responding to that.

This National Policy Statement requires development capacity provided in plans to be serviced or likely to be serviced with infrastructure. This will necessitate better integration and coordination between land use and infrastructure planning and will require local authorities, infrastructure providers and central government to work co-operatively.

[CDL Comment: CDL considers that integration of and coordination between land use and infrastructure planning is critical. In that regard:

- 1. CDL's experience has been that most practical difficulties relating to residential development arise as a consequence of a failure of councils and infrastructure providers to coordinate their activities and to adopt a coherent strategy. That is exacerbated by the failure of those entities to communicate and work constructively with developers.**
- 2. CDL notes that from a practical perspective, the provision of infrastructure to service new residential and business areas is likely to require a greater funding commitment from central government. This issue relates both to the provision of funding for infrastructure and the timeliness of its provision as delays in implementing infrastructure compromise the ability of developers to supply the market. The government's recent advice that it will make interest free loans to the value of \$1 billion available to councils is welcome but will not fully resolve this issue, particularly as some of the key infrastructural assets that require development are state owned rather than locally owned.]**

This National Policy Statement also places a strong emphasis on planning coherently across urban housing and labour markets, which will require coordinated planning between local authorities that share jurisdiction over Main Urban Areas.

The National Policy Statement targets different policies to different local authorities, as per the table below.

	All local authorities	Local authorities that have a Medium Growth Urban Area within their jurisdiction	Local authorities that have a High Growth Urban Area within their jurisdiction
Objectives that apply	All	All	All
Policies that apply	PA1 – PA3	PA1 – PA3	PA1 – PA3
		PB1 – PB5 PC1 – PC3 PD1 – PD4	PB1 – PB5 PC1 – PC3 PD1 – PD4
			PD5 – PD9

1 Title

This national policy statement is the National Policy Statement on Urban Development Capacity 2016. **[CDL Comment: The title of the NPS correctly focuses on urban development capacity. In contrast, Clause 4 of the NPS (below) expresses a much wider purpose. CDL considers that the NPS would be better to focus clearly and unambiguously on the capacity issue that is of concern.]**

2 Commencement

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

3 Interpretation

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

Act means the Resource Management Act 1991.

Business land means land that is zoned for productive economic activities in urban areas, including but not limited to the following:

- industrial
- commercial
- retail
- business and business parks
- mixed use and centres, to the extent that it is available for productive economic activities.

but does not include residential dwellings that are also used for a productive economic activity such as home occupations.

Decision-maker means all persons exercising functions and powers under the Act.

Demand means:

In relation to residential development, the demand for residential dwellings within an urban area in the short, medium and long-terms, having particular regard to:

- a) the total number of dwellings required to meet projected household growth;
- b) demand for different types of dwellings;
- c) the demand for different locations within the urban area; and

- d) the demand for different price points.

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

In relation to business land, the demand for floor area in the short, medium and long-terms, having particular regard to:

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

Development capacity means in relation to residential and business land, the capacity of land for urban development to meet demand, taking into account the following factors:

- the zoning, objectives, policies, rules and overlays that apply to the land; and
- the provision of adequate infrastructure, existing or likely to exist, to support the development of the land, having regard to—
 - the relevant proposed and operative regional policy statements, regional plans and district plans; and
 - any relevant management plans and strategies prepared under other Acts.

Feasible means the commercial viability of development, taking into account the current likely costs, revenue and yield of developing.

High-Growth Urban Area means:

- Any Main Urban Area that, according to the most recent Statistics New Zealand growth projections set out in Appendix A2, is projected to experience population growth of more than 10% over the medium-term; or
- Any Secondary Urban Area that at any point in the year has a combined resident and visitor population of over 30,000, and according to the most recent Statistics New Zealand growth projections set out in Appendix A2, is projected to experience population growth of more than 10% over the medium-term.

Infrastructure means network infrastructure for water supply, wastewater, stormwater, transport, and passenger transport services.

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

Long-term means within the next thirty years.

Main Urban Area means as defined by Statistics New Zealand set out in Appendix A1.

Medium-Growth Urban Area means:

- Any Main Urban Area that, according to the most recent Statistics New Zealand growth projections set out in Appendix A2, is projected to experience population growth of between 5% and 10% over the medium-term; or

- Any Secondary Urban Area that at any point in the year has a combined resident and visitor population of over 30,000, and according to the most recent Statistics New Zealand growth projections set out in Appendix A2, is projected to experience population growth of between 5% and 10% over the medium-term.

Medium-term means within the next ten years.

Plan means an operative or proposed regional plan or a district plan.

Planning decisions means any decision on a regional policy statement, regional or district plan, or plan change.

Secondary Urban Area means as defined by Statistics New Zealand set out in Appendix A1.

Short-term means within the next three years.

Sufficient means the provision of enough development capacity to meet residential and business demand, plus, to take account of the likelihood that not all capacity will be developed, an additional margin of at least:

- ~~100%~~ 20% over and above projected short and medium-term residential and business demand; and
- ~~50%~~ 15% over and above projected long-term residential and business

demand. The total capacity should reflect the demands for different types and locations.

[CDL Comment: The 20% and 15% margins referred to in the definition are intended to take account of the fact that not all land that is made available for intensification will be intensified. CDL's expectation, based on its experience through the Proposed Auckland Unitary Plan process, is that those figures significantly understate the risk of development opportunities not being taken up. That is particularly true with respect to intensification in existing urban areas, where there are multiple landowners, and the small lots, significant capital investment in terms of existing structures on properties and in many cases a lack of any motivation to take advantage of development opportunities in the short term. Given that the PAUP envisages most future growth occurring within the existing urban areas, CDL considers that the percentages need to be revised upwards markedly.]

Urban area means an area with urban characteristics and a moderate to high concentration of population, irrespective of local authority boundaries.

Urban form means the overall pattern of development within an urban area, and the relationship of its constituent parts to each other.

4 National significance

This National Policy Statement is about the national significance of providing sufficient zoned, serviced and planned capacity in urban areas to accommodate anticipated demand for residential and business activities in a manner that does not perpetuate upward pressure on

prices . ~~the contribution that urban areas make to the social, economic and cultural wellbeing of people and communities, and the need to enable urban development and change in order to provide for this.~~

[CDL Comment: This paragraph is fundamental to the objectives and policies of the NPS and needs to explicitly identify the urban capacity issue of concern. The notified wording raises broad concerns that relate to the quality as well as quantity of urban development. If the NPS is to be effective then it needs to be focused on the capacity issue. By way of explanation:

- **The title set out in Clause 1 above refers to urban development capacity, which appears to be the focus of the NPS provisions.**
- **Clause 4 introduces much wider considerations, however. The contribution that urban areas make to wellbeing relates not only to the efficiencies that flow from intensive development but also to qualitative matters such as the level of public space and amenity provided in the urban area, the quality of urban design, and the manner in which the interface between contrasting activities is managed. Those matters are already addressed at great length through operative and proposed planning instruments. CDL does not consider that there is any need to impose additional NPS requirements in that regard and nor does that appear to be the focus of the policies that follow.**
- **CDL therefore suggests that the statement be recast to explicitly identify capacity to accommodate growth as the relevant issue and to discard the broader statement set out above. The risk, otherwise, is that councils will use these provisions to justify increasingly complex and demanding urban design requirements in district plans.]**

5 Objectives

The following objectives apply to all local authorities.

Objective Group A – Outcomes for decision-making

- OA1: ~~To support effective and efficient urban areas that enable people and communities to provide for their social, economic and cultural wellbeing.~~ **[CDL Comment: This is an exceptionally broad objective that largely restates section 5 of RMA but provides little guidance to councils. By introducing the concepts of effectiveness and efficiency, the objective arguably addresses qualitative as opposed to quantitative concerns (ie: it invites debate about the quality of incoming development rather than the capacity to accommodate growth). These concerns are, potentially, a diversion from the capacity issue that the NPS is primarily concerned with and the provisions could be relied upon by councils to support more stringent urban design controls. CDL considers that this objective would best be deleted.]**
- OA2: To provide sufficient residential and business development capacity to enable urban areas to meet residential and business demand. **[CDL Comment: This objective addresses the core concern behind the NPS and CDL strongly supports it. CDL does**

not consider that any more detailed objectives are needed.]

OA3: ~~To enable ongoing development and change in urban areas.~~ **[CDL Comment: CDL considers that this objective is unnecessary. District plan provisions typically enable ongoing development and change in urban areas. CDL understands that the issue of concern to the government is not whether the district plans enable development but whether they enable sufficient quantities of urban development. This objective could therefore be deleted. Doing so will allow the NPS to focus more clearly on the matter of primary concern.]**

Objective Group B – Evidence and monitoring to support decision-making

OB1: To ensure plans and regional policy statements are based on a robust, accurate and frequently-updated evidence base.

Objective Group C – Coordinated evidence and decision-making

OC1: To promote coordination within and between local authorities, landowners / stakeholders and infrastructure providers in urban areas, consistent planning decisions, integrated land use and infrastructure planning, and responsive planning processes. **[CDL Comment: Councils should also work with land owners and other stakeholders.]**

Objective Group D – Responsive planning

OD1: ~~To ensure that planning decisions enable urban development in the short, medium and long terms.~~ **[CDL Comment: Objective OD1 appears to be subsidiary to and to flow from the key capacity objective set out in OA2 above and CDL does not consider that it is needed or adds anything of substance to the NPS. Furthermore, Objective OD1 is more in the nature of a policy that gives effect to OA2. In the circumstances, this objective could be deleted.]**

OD2: ~~To ensure that in the short and medium terms local authorities adapt and respond to market activity.~~ **[CDL Comment: CDL accepts that a more open market for urban land and development will reduce upward pressures on prices. That is not necessarily the focus of the objective, however, and giving effect to Objective OA2 regarding capacity should largely resolve any concerns regarding a lack of responsiveness to urban market conditions. In the circumstances this objective does not necessarily add much in terms of the capacity issue and, arguably, raises broader and different issues with respect to the identity of landowners rather than the extent of zoned land. CDL suggests that the objective be deleted or, if it is to be retained, that it be re-drafted to provide greater guidance to councils and clarity to all parties as to the outcomes sought.]**

6 Policies

Outcomes for decision-making

Policies PA1 to PA3 apply to all local authorities.

PA1: By decision-makers:

- Providing for an urban form that maximises the potential for social and economic

exchange within the urban area. **[CDL Comment: CDL considers that this policy is ambiguous and unclear:**

- The concept of “social and economic exchange” is not defined or referred to elsewhere in the NPS. It is unclear what it is sought in that regard and how a council would give effect to the policy.
 - If by social and economic exchange the NPS is referring to the provision of high quality urban form with, for example, intensive commercial and social centres with supporting patterns of residential development, then that is something that might better be addressed through a separate NPS focused on urban design and urban form matters (although these issues are already addressed in great detail in many district plans).
 - Alternatively (and in contrast), the policy might be intended to promote mixed-use activities in place of a clear delineation between residential and business functions. Again, greater clarity would be desirable if that is the intended focus.
 - Fundamentally, however, the policy seems to address a matter that is quite distinct from the capacity issue at the core of the NPS. This is one of the provisions that arguably raise qualitative rather than quantitative concerns and, for the reasons expressed elsewhere, CDL considers that the policy should be deleted from the NPS.]
- Providing for the efficient use of resources, having particular regard to scarce urban land and infrastructure. **[CDL Comment: CDL supports the view, inherent in the policy, that resources should be used efficiently. CDL has a number of concerns regarding the very broad wording of this policy, however:**
 - The policy refers to high level matters that are inherent in the RMA and that ought to be addressed already in planning instruments.
 - The policy would benefit from being more explicitly focused. It is unclear, for example, whether the policy is intending to support high density development, development that is conveniently located in terms of existing and planned infrastructure, or both. As a consequence, in its current form, the policy provides little guidance for councils.
 - In its current form the policy might also prove problematic for some districts. For example, the policy may be read as supporting intensive (higher density) development in preference to relatively low density urban development. In that case, however, it would be appropriate to acknowledge that wellbeing is derived in part from a choice of housing typologies and that the desirability of high density development will differ between urban areas (eg: Auckland, with its high population and challenging geography, will warrant denser development than will regional centres such as Rotorua). Thus a strict focus on “efficient” land use may inadvertently and unhelpfully override amenity issues in some districts.
 - In the circumstances, CDL considers that the policy in its current form adds little and is potentially ambiguous. CDL suggests that the policy either be deleted (on the basis that it is unnecessary) or that it be fleshed out to provide meaningful guidance for councils and applicants.]
 - Enabling the competitive operation of land and development markets. **[CDL Comment: CDL agrees that the promotion of competition will assist to reduce upward pressure on prices. CDL has some concerns, however, regarding the practical implications of this policy and the**

lack of detail fleshing it out:

- **The policy appears to be focused on ensuring that there are a range of entities involved in the land supply and development markets. That is a different matter from ensuring that there is surplus supply and may require a different response.**
- **It is difficult to see how the policy fits within the RMA structure. By way of example, would the policy require a council to zone additional land (owned by a third party) in circumstances where over time a single landowner acquires all zoned land? If so, would the need to ensure a competitive market require the council to implement zonings that are suboptimal in terms of effects on the environment simply because all the optimally located land is in the ownership of a single party?**
- **Given that the policy raises issues relating to the identity of landowners rather than the capacity of that land to accommodate growth, CDL considers that it might better be addressed through a separate NPS. Alternatively, the manner in which these competitive issues interrelate with the balance of the RMA should be addressed in more detail and with greater clarity.]**

PA2: By local authorities providing at all times sufficient residential and business development capacity for the short, medium and long terms. To that end:

- Local authorities must as a minimum:
 - Provide at all times sufficient urban zoned land serviced with key infrastructure to accommodate anticipated demand over the next three years;
 - Provide at all times sufficient urban zoned land for which key infrastructural services are programmed and funded for implementation to accommodate anticipated demand over the next 10 years; and
 - Identify at all times sufficient land that is suitable for rezoning and servicing to accommodate anticipated demand over the next 30 years.
- In addition to providing sufficient capacity, local authorities in High Growth Urban Areas will facilitate and enable an oversupply of land zoned (but not necessarily serviced) for residential development capacity for the short, medium and long terms so as to:
 - Maximise certainty and residential development opportunities for developers who are willing and able to provide appropriate infrastructure;
 - Maximise the prospect of competition between land suppliers;
 - Maximise choice for residential purchasers in terms of the geographical location of development, the range of housing typologies available and the price range of dwellings; and
 - Minimise upward pressures on prices of urban residential developments arising from supply constraints

[CDL Comment: This is the key policy in terms of capacity and is strongly supported in principle.

CDL's primary concern is that the policy does not specify how councils must give effect to it. CDL therefore suggests that the policy be retained but expanded through the addition of the first bullet point above to provide greater detail of the manner in which councils will provide sufficient capacity. By way of explanation:

- The definitions section includes definitions of “sufficient”, “business land”, “demand”, “development capacity”, “short-term”, “medium term” and “long-term”. Those definitions give some indication of the extent of capacity required by the policy but they do not give certainty as to what a council must do in terms of zoning and servicing land to give effect to the policy.
- CDL considers that the NPS should link the concept of sufficiency to particular characteristics of the land supply relied upon by the council in giving effect to the policy. Absent such explicit characteristics, councils will be able to argue that they are giving effect to the policy in circumstances where the land supply may not realistically be capable of development within the relevant timeframe.
- The additional wording suggested by CDL is one way in which the policy could provide specificity. A policy in that form would give confidence that the capacity relied upon by council would in practice be capable of being developed.

The second bullet point sought by CDL seeks additional wording regarding the provision of excess supply of residential land. In that regard:

- CDL considers that, as a generality, in High Growth Urban Areas no adverse effects will flow as a consequence of providing excess supply of land for residential development.
- CDL considers that the provision of excess residential land supply will extend the time period during which that land will be taken up for development but should not:
 - Reduce the density of development (which will be controlled by market forces and district plan provisions);
 - Compromise the quality of development (which again will be addressed through district plan provisions);or
 - Result in ad hoc or unplanned development (as district plans typically require structure planning of future development areas prior to rezoning).
- In contrast with the requirement for suitable infrastructural servicing to be in place in order to provide “sufficient capacity” pursuant to the first bullet point proposed above, the suggested wording does not require the Council to provide servicing with respect to the “excess supply”. In practice, land will be developed for urban purposes only once it is appropriately zoned, is serviced and the demand for the product is present. Accordingly, the provision of excess supply will not lead to unchecked and unnecessary development.
- Developers are commonly willing to contribute to or fund the implementation of necessary infrastructure. Provided the infrastructure providers are prepared to reach an agreement on such funding arrangements, that need not be a restriction on the developers of land. In such cases, however, a more challenging issue is the lack of urban zoning for the land and the tendency of councils to wish to ration the release of that land so as to control the form

and rate of development. The proposed wording is intended to encourage councils to facilitate development rather than constrain it.

- The potential benefits that arise from providing excess supply residential land in these areas are set out in the proposed text.
- CDL considers that, given anticipated population and household growth in the High Growth Urban Areas, there is little if any practical risk that in the long term land identified for development will not be developed.]

PA3: When considering the effects of urban development, decision-makers must:

- ~~Recognise and provide for the contribution that urban development will make to the ability for people and communities and future generations to provide for their social, economic and cultural wellbeing.~~ **[CDL Comment: CDL supports the intent behind this very broadly stated policy but considers that it addresses qualitative matters that councils are already required to consider pursuant to section 5 of RMA. To that extent the policy seems unnecessary and has the potential to result in the addition of unnecessary, duplicate provisions in planning instruments. CDL considers that this policy could be deleted without compromising the intent of the NPS and that doing so would focus the NPS more clearly on the capacity issue of concern.]**
- ~~Provide sufficient development capacity, whilst maximising the positive effects of development, and minimising the adverse effects of development.~~ **[CDL Comment: The first part of this policy (re providing sufficient development capacity) goes to the core purpose of the NPS and is supported. It is, however, addressed in other NPS provisions and does not add anything of substance. CDL considers that the second part of the policy is superfluous and unnecessary, however, and will potentially divert attention from the capacity issue that the NPS is addressing. CDL considers that compliance with Part 2 and section 32 of the RMA will ensure an appropriate outcome. CDL suggests that the policy can be deleted.]**
- ~~Have particular regard to the positive effects of urban development at a national, regional and district scale, as well as its local effects.~~ **[CDL Comment: It is not clear what this policy means and how councils will be expected to give effect to it:**
 - It may be that the intention of the policy is that national, regional and district benefits of urban intensification will necessarily outweigh local adverse effects. Such an approach may require councils to enable low quality but high density development, at the expense of amenity for residents and contrary to the qualitative aspects raised elsewhere in the NPS.
 - By way of example, that approach would enable developers to implement low quality developments that leverage off the amenity provided by other developers and residents while contributing little if anything to the amenity of the wider area.
 - If the concern is simply to make adequate provision for urban growth then that can be addressed by the core provisions of the NPS regarding capacity discussed above.

- **CDL considers that this policy should be deleted or, if it is retained, its purpose should be clarified.]**

Evidence and monitoring to support decision-making

[CDL Comment: CDL supports the following provisions regarding monitoring.]

Policies PB1 to PB5 and PC1 to PC3 apply to all local authorities that have part, or all, of either a Medium Growth Urban Area or High Growth Urban Area within their jurisdiction.

PB1: Local authorities must, by the end of 2018, or within 12 months of becoming a Medium or High Growth Urban Area, and thereafter on at least a three-yearly basis, carry out:

- A Housing Assessment that estimates the demand for dwellings, including the demand of different groups in the population for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand, in the short, medium and long-terms; and
- A Business Land Assessment that estimates the demand for the different types and locations of floor area for the local business sectors, and the supply of development capacity to meet that demand, in the short, medium and long-terms.

Local authorities must ~~have regard to the benefits of publishing~~ the assessments under policy PB1. **[CDL Comment: CDL is not aware of any adverse effects of publication so it should be required rather than considered.]**

PB2: In carrying out the assessments required under policy PB1, local authorities must have particular regard to:

- Demographic change, including population growth and household size projections, using the most recent Statistics New Zealand growth projections set out in Appendix A2.
- Future changes in the sectoral composition of the local economy and the impacts that this might have on residential and business demand.
- Information on the market's response to planning obtained through monitoring under PB5.

PB3: In carrying out the assessments required under policy PB1, local authorities must estimate the sufficiency of development capacity provided by its plans and proposed and operative regional policy statements, having particular regard to:

- The cumulative effect of all zoning, objectives, policies, rules and overlays in plans, and the effect this will have on opportunities for development being taken up.
- The actual and likely availability of infrastructure.
- The current physical and commercial feasibility of development capacity.
- The likelihood of opportunities for development being taken up.

and must estimate the additional development capacity needed if any of these factors indicate that the supply of development capacity is not likely to meet demand in the

short, medium or long-term.

- PB4: In carrying out the assessments required under policy PB1, local authorities must consult with infrastructure providers, community and social housing providers, the property development sector and any other stakeholders as they see fit.
- PB5: To ensure that local authorities are well-informed about the market's response to planning, local authorities must monitor a range of indicators on a quarterly basis, or as frequently as possible, including:
- The relative affordability of housing, including the ratio of house price to income and the relative cost to rent;
 - The increase in house prices and rents;
 - The number of resource and building consents granted and given effect to relative to the growth in population; **[CDL Comment: It is the number of such consents that are implemented that is critical and informative. By way of explanation, some resource consents are obtained as part of an incremental process and not all building consents are implemented, which would lead in each case to double counting. CDL therefore seeks the inclusion of the additional wording set out above. It understands that councils have the ability to track such information.]**
 - Vacancy rates for business land;
 - The ratio of the value of land between rural and urban zoned land; and
 - The ratio of the value of improvements to the value of land within the urban area.

Local authorities must ~~have regard to the benefits of publishing the results of its~~ their monitoring under policy PB5. **[CDL Comment: CDL considers that publication of this information will assist planning by landowners and other interested parties. There does not seem to be any reason to simply require a council to consider publication. CDL therefore seeks the amendments set out above.]**

Co-ordinated evidence and decision-making

[CDL Comment: The following policies address a matter that has been problematic in the past and by supporting a cooperative approach between councils and infrastructure providers may assist the decision-making process. In that regard:

- **The policies do not encourage or anticipate central government funding of infrastructure. That is a key issue for intensification in the Auckland Region in particular as the transport network requires strategic planning and significant investment, and other infrastructure (eg: separation of stormwater and wastewater on the Auckland isthmus) will also be extremely expensive and would benefit from central government funding.**
- **CDL considers that the consultation process carried out by local authorities should include key private stakeholders, experienced developers who are likely to be involved in the implementation of development. For that reason CDL seeks the inclusion of the additional wording set out below.**

- PC1: When developing plans and regional policy statements to implement this National Policy Statement, local authorities must consult with other local authorities, local infrastructure providers and central government infrastructure providers that share jurisdiction over a Medium Growth Urban Area or a High Growth Urban Area, along with developers with a proven record of development in the local authority area.
- PC2: The relevant local authorities and infrastructure providers will work together, in consultation with developers, to agree on data and projections used in the development of the assessments required under policy PB1.
- PC3: The relevant local authorities and infrastructure providers will work together, in consultation with developers, to, as far as possible, ensure coordinated land use planning and infrastructure provision, including expected levels of service for infrastructure.

Responsive planning

Policies PD1 to PD4 apply to all local authorities that have part, or all, of either a Medium Growth Urban Area or High Growth Urban Area within their jurisdiction.

- PD1: When the evidence base or monitoring obtained in accordance with policies PB1 to PB5 indicates that development capacity is not sufficient in any of the short, medium or long terms, local authorities must respond by providing further development capacity in accordance with policies PA2, PD2 and PD3 as soon as possible. **[CDL Comment: This policy is advantageous on its face but would benefit from clarification:**
- **In the interest of clarity, the policy should include reference to the augmented version of PA2 set out above.**
 - **The monitoring policies set out above require consideration of a wide range of market segments but Policy PD1 simply refers to insufficient capacity in the short, medium or long terms. In that regard:**
 - **It is not clear whether the obligation to increase capacity would be triggered if there was adequate capacity overall but a shortfall in a certain market sector.**
 - **If the policy is intended to require shortfalls in market sectors to be remedied, then it needs to make clear the level of market fragmentation that is relevant (ie: the extent of the relevant geographical area, housing typology category or price bracket).**
 - **CDL therefore considers that that simply ensuring that there is sufficient supply throughout the market as a whole will compromise the utility of the policy. In contrast, and overly rigorous sub-categorisation of the market would impose complex, demanding and potentially expensive obligations on councils.**
 - **CDL therefore considers that the policy should be amended to provide clear guidance as to the level of market fragmentation at which sufficient capacity will be needed. CDL has not endeavoured to draft such provisions as it considers those to be a matter for the government to determine.**
- PD2: A local authority must consider all options available to it under the Act to enable sufficient development capacity to meet residential and business demand, including but not limited to: **[CDL Comment: This policy creates a legal obligation to consider (but not implement) a range of possible mechanisms. In practice, the most effective mechanisms will relate to the substantive provisions contained in the relevant**

planning instruments. Changes to objectives and policies, along with the rezoning of additional land and the intensification of development in existing urban areas is likely to be the mechanisms adopted. For the reasons discussed below, some of the other matters listed are unlikely to contribute to capacity and in the interests of clarity and simplicity it is suggested that they be deleted.]

- Changes to plans and regional policy statements, including changes to:
 - Objectives, policies and rules, zoning and the application of those in both existing urban and undeveloped areas;
 - Activity status;
 - Provisions about the notification of applications for resource consent;
 - Existing overlays, or the introduction of overlays which enable development; and
 - ~~Make them simpler to interpret.~~ **[CDL Comment: CDL considers it desirable, if not essential, for planning instruments to be written in a manner that is simple to interpret, both for landowners and for council officers. Its experience has been that the complexity of planning provisions adds to their opacity and compromises the ability of landowners to form a robust view as to the likelihood of particular development proposals being consented. That adds to uncertainty, cost and delay. In the circumstances, CDL considers that simplicity of expression is a matter that should be relevant to and reflected in all planning instruments, not simply those provisions relating to development capacity. Ideally, all provisions will be written in a crisp and easily understood style and if this matter is to be addressed in an NPS it should be one of universal application. More broadly, this a matter of form that affects the usability of provisions but should not have any impact on their substantive content. For that reason, CDL considers that this provision could be deleted.]**

- ~~Consenting processes that are customer-focused and coordinated within the local authority; and~~ **[CDL Comment: This provision raises a procedural issue that appears unconnected to the provision of adequate capacity. CDL's experience is that the attitude of councils and other bodies to the consenting process does have a direct impact on the duration of the consenting process, its complexity and cost and, on occasions, its outcome. This is, therefore, a matter that may well warrant an NPS but CDL considers that it would be better addressed in a separate document that focuses on process rather than substance. In the circumstances, CDL considers that this provision could be deleted.]**

- ~~In granting consent, the conditions of consent imposed.~~ **[CDL Comment: Consent conditions should not influence dwelling numbers, as the dwelling numbers will be a core component of the activity for which consent is granted. More fundamentally, the NPS should focus on and be implemented through the provisions in the lower order planning instruments (including provisions that govern the content and nature of conditions that may be imposed on resource consents), not the subsequent consent processes that will arise as a consequence of the rules in those planning instruments. CDL suggests that this provision be deleted.]**

PD3: Local authorities must consider the following responses to any shortfall in development capacity: **[CDL Comment: This policy needs to specify the circumstances to which the “responses” are responding. More broadly, it is not clear what this policy adds to PD2.]**

- In the short term, further enable development through ~~customer focused-consenting processes and~~, where appropriate, amending the relevant plans. **[CDL Comment: “Customer focused consenting processes” is not a defined term and it is not clear what they might be. Further, the process through which an application is assessed might affect the timeliness of decision-making but it should not affect the substantive outcome. That is, an application that objectively warrants the grant of consent under plan provisions should be approved regardless of whether the decision-making process is “customer focused” or not. CDL therefore considers that this policy (if it is needed at all) should be directed towards substantive changes to planning instruments to ensure that any shortage is overcome. Accordingly, CDL suggests that the reference to “customer focused consenting processes” be deleted.]**
- In the medium term, amending the relevant plans and policy statements to provide more development capacity.
- In the long term, providing a broad indication of the location, timing and sequencing of development capacity in order to demonstrate that it will be sufficient.

[CDL Comment: This policy appears to be intended to provide some certainty with respect to steps to be undertaken by the relevant council. A greater degree of certainty would, however, be provided through the additions proposed by CDL to Policy PA2 (ie: the requirements with respect to zoning and servicing over the next three, 10 and 30 years). In that context, it may be concluded that Policy PD3 is unnecessary and superfluous and could be deleted.]

PD4: In giving effect to policy PD1 with respect to residential development capacity local authorities should have particular regard to enabling capacity:

- In the locations that the Housing Assessment, required under policy PB1, indicates are of highest demand; and
- That is feasible.

such that it maximises the contribution to meeting demand for residential development.

Local authorities that have a Medium Growth or High Growth Urban Area within their jurisdiction should not restrict their responses to meeting demand to only the area that lies within the Medium Growth Urban Area or High Growth Urban Area.

Policies PD5 to PD9 apply to all local authorities that have part, or all, of a High Growth Urban Area within their jurisdiction.

Regional councils must have amended their proposed and operative regional policy statement to give effect to policies PD5 to PD6 by:

- The end of 2018;~~or~~
- Earlier if the Housing Assessment required under policy PB1 shows development capacity is insufficient to meet demand; ~~or~~ **[CDL Comment: These timeframes represent the maximum allowable window within which councils must comply with the NPS. The second bullet point purports to impose an obligation on councils but does not provide any specificity as to the timeframe. That makes it difficult to determine whether a council is complying with the Policy. Given that the Housing Assessment will itself take time to undertake, the simplest way to address this issue would be to remove the second bullet point.]**
- Within 12 months of becoming a High Growth Urban Area.

Regional councils must amend their proposed and operative regional policy statements to give effect to policies PD5 to PD6 in accordance with section 55(2A) of the Act ~~without using the process in Schedule 1 of the Act.~~ **[CDL Comment: The suggestion that regional councils would be able to amend regional policy statements without using the public notification process in Schedule 1 of the RMA is of concern. It would enable regional councils to take speedy action but it would deprive submitters (including affected landowners) of input into the change process. That might result in the Council introducing RPS provisions that are flawed. The RMA public submission process is designed to (and in practice does) promote high-quality and fully informed decision-making, based on a range of views. Removing public involvement risks unsatisfactory outcomes and may in practice deprive landowners of opportunities to develop land. CDL therefore seeks deletion of the wording at the end of the above statement, to the effect that the Schedule 1 process under the Act is retained.]**

PD5: Regional councils must set minimum targets for the supply of sufficient residential development capacity that must be achieved, in accordance with its Housing Assessment, and incorporate these into the relevant regional policy statement.

These minimum targets must specify:

- The total number of dwellings; and
- Different types of dwellings.

To take account of the likelihood that not all capacity will be developed, it must require an additional margin of at least:

- 100 ~~20~~% over and above projected short and medium-term demand; and
- 50 ~~15~~% over and above projected long-term demand.

[CDL Comment: For the reasons discussed in the context of the definition of “sufficient”, CDL considers that the percentages need to be revised upwards markedly.]

PD6: A regional council’s minimum targets set under policy PD5 must be set for the medium and long terms, and must be reviewed every three years. When a regional council’s Housing Assessment required under policy PB1 shows that the minimum targets set in the regional policy statement are insufficient to meet demand, regional councils must

revise those minimum targets in accordance with policy PD5 and incorporate those targets into its regional policy statement in accordance with section 55(2A) of the Act ~~without using the process in Schedule 1 of the Act.~~ **[CDL Comment: For the reasons discussed above, CDL seeks retention of the Schedule 1 process under the Act.]**

Local authorities shall give effect to policies PD7 to PD9 within the following timeframes:

- By the end of 2018; or
- Within 12 months of becoming a High Growth Urban Area.

PD7: Local authorities must provide a future land release and intensification strategy alongside the relevant plans and regional policy statements to demonstrate that there will be sufficient development capacity in the medium and long terms, and that minimum targets will be met.

PD8: The future land release and intensification strategy must:

- Identify the location, timing and sequencing of future development capacity over the long term; and
- Provide a process for flexible implementation including methods by which additional locations for development may be identified, and the timing and sequencing of development may be varied in response to circumstances.

PD9: In developing this strategy, local authorities must:

- Be informed by the Housing Assessment and Business Land Assessment required under policy PB1;
- Take into account the views of infrastructure providers, land owners, the property development sector and any other stakeholders as they see fit; and
- Have particular regard to policy PA1 and policy PA2.

[CDL Comment:

- **Policies PD7, 8 and 9 address the development of a future land release and intensification strategy which will, presumably, inform plan changes that are undertaken over time to ensure adequate land supply. There is no express obligation for those subsequent plan changes to give effect to the land release and intensification strategy so the plan changes that follow to rezone land should be subject to debate informed but not constrained by the land release and intensification strategy.**
- **The PAUP experience with Auckland Council's Future Urban Land Strategy through the Proposed Auckland Unitary Plan process has been salutary, however. CDL's impression is that Auckland Council has used its Strategy as a means of, effectively, limiting and rationing the release of land for urban development. The implication is that the Auckland Strategy will be used to minimise flexibility for developers and support a rigid sequential release of land in accordance with Council's preferred timetable and staging.**
- **While the policy provides for consultation with landowners, there is no mechanism through which the strategy can be challenged. CDL's concern is that councils will use this policy to impose their preferred land release timetable, with minimum regard to the benefits that would flow from landowners being granted flexibility as to where, when and how they may develop.**

- In the circumstances, CDL seeks the amendments set out above regarding flexibility and cross referring to policy PA2 (as amended).]

Appendix – Statistical Information

A1: Statistics New Zealand: Classification of Urban Areas

Main Urban Areas	Secondary Urban Areas
Whangarei	Pukekohe
Northern Auckland Zone	Tokoroa
Western Auckland Zone	Taupo
Central Auckland Zone	Whakatane
Southern Auckland Zone	Hawera
Hamilton Zone	Feilding
Cambridge Zone	Levin
Te Awamutu Zone	Masterton
Tauranga	Greymouth
Rotorua	Ashburton
Gisborne	Timaru
Napier Zone	Oamaru
Hastings Zone	Rangiora
New Plymouth	Queenstown
Whanganui	
Palmerston North	
Upper Hutt Zone	
Lower Hutt Zone	
Porirua Zone	
Wellington Zone	
Nelson	
Christchurch	
Dunedin	
Invercargill	
Kapiti	
Blenheim	

Source: Statistics New Zealand (sourced May 2016)

Classification of Urban Areas

A2: Statistics New Zealand: Projected Total Population by Urban Area

Urban Area	Year at 30 June						
	2013	2018	2023	2028	2033	2038	2043
Whangarei	53,600	55,000	56,000	56,800	57,400	57,600	57,600
Northern Auckland Zone	288,000	315,900	335,400	355,000	375,000	393,900	411,900
Western Auckland Zone	217,100	242,700	266,300	290,100	312,400	334,000	355,000
Central Auckland Zone	450,900	500,600	539,000	578,400	616,700	652,500	686,100
Southern Auckland Zone	425,800	463,200	491,700	520,300	547,100	571,600	594,200
Hamilton Zone	180,600	196,600	208,700	220,600	232,200	243,200	253,800
Cambridge Zone	18,400	19,850	20,600	21,200	21,800	22,300	22,700
Te Awamutu Zone	15,850	16,600	17,250	17,800	18,300	18,700	18,950
Tauranga	125,700	135,500	144,700	153,900	162,900	171,500	179,800
Rotorua	55,800	56,100	56,200	56,000	55,400	54,400	53,000
Gisborne	35,200	36,100	36,700	37,100	37,400	37,400	37,200
Napier Zone	60,600	62,500	63,400	64,100	64,300	64,200	63,700
Hastings Zone	67,000	69,300	70,500	71,400	71,900	71,800	71,400
New Plymouth	54,800	57,900	59,900	61,600	63,100	64,300	65,400
Whanganui	39,300	39,000	38,700	38,300	37,600	36,600	35,500
Palmerston North	81,500	84,500	87,000	89,400	91,600	93,400	95,000
Upper Hutt Zone	39,000	40,500	41,400	42,200	42,600	42,800	42,800
Lower Hutt Zone	100,500	101,300	101,800	102,000	101,500	100,300	98,500
Porirua Zone	53,500	55,600	56,700	57,500	57,900	57,800	57,400
Wellington Zone	196,500	207,100	214,400	221,600	228,300	234,400	239,800
Nelson	63,300	66,600	68,700	70,400	71,600	72,400	72,800
Christchurch	369,200	395,400	410,100	424,300	437,000	448,200	457,800
Dunedin	115,100	118,000	119,300	120,400	121,100	121,300	121,100
Invercargill	49,300	50,600	51,100	51,400	51,400	51,100	50,500
Kapiti	40,700	42,100	43,500	44,800	46,100	47,100	47,900
Blenheim	30,100	30,900	31,500	31,900	32,100	32,100	32,100

Source: Statistics New Zealand (sourced May 2016)

Projected Total Population at 30 June 2018-2043 (2013-base)

Clerk of the Executive Council

Explanatory note

This note is not part of this national policy statement, but is intended to indicate its general effect.

This national policy statement comes into force 28 days after the date of its notification in the *New Zealand Gazette*. It provides that ensuring sufficient development capacity is a matter of national significance under the Resource Management Act 1991 and prescribes objectives and policies to guide the making of resource management decisions.