



Future Proof Submission on the
*Proposed National Policy Statement on
Urban Development Capacity*

July 2016

To:

NPS Urban Development - Ministry for the Environment

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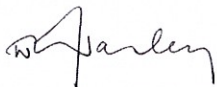
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Submission:

This is a submission by the Future Proof Implementation Committee on the Proposed National Policy Statement on Urban Development Capacity ("the Proposed NPS"). The content of the submission follows overleaf. We appreciate the opportunity to provide comments on the document.

Other Future Proof partners will also be making submissions on the Proposed NPS. These will be more detailed in nature than the Future Proof submission which provides a higher level, overarching view of the Proposed NPS.

Signed:

Bill Wasley

Independent Chair – Future Proof Implementation Committee

1. Introduction

This submission is presented on behalf of the Future Proof Implementation Committee (“FPIC”), the governance group responsible for implementation of the Future Proof Growth Strategy. The FPIC includes representatives from the Future Proof sub-regional councils of the Waikato Regional Council, Hamilton City Council, Waipa and Waikato Districts as well as Tāngata Whenua and the New Zealand Transport Agency.

The Future Proof Growth Strategy is a 50-year growth management and implementation plan for the Future Proof sub-region. The sub-region refers to the administrative areas of the territorial authorities of Hamilton City Council, Waipa District Council, and Waikato District. Future Proof has been in an implementation phase and a number of Strategy actions have been completed, including embedding the Strategy in relevant statutory documents. Future Proof has now entered a Strategy Update phase which is proposed to be completed by early 2017. The Strategy has been successful in providing a strategic, integrated approach to long-term planning and growth management in the sub-region.

There is good collaboration across the councils of the sub-region. The partner councils continue to work together on growth management issues such as producing a common set of growth projections for the sub-region, aligning planning

The Future Proof Implementation Committee is supportive of initiatives to improve urban development in a resource management context as this is an important part of implementing the Future Proof Strategy. While land supply is a key part of urban development, we are of the view that it is a multi-faceted endeavour and we strongly encourage the Government to continue to look at a wide toolkit.

2. Summary of Main Submission Points

Future Proof’s submission makes the following key points:

- General support for the Proposed NPS as it complements the approach of the Future Proof Strategy.
- We would like to see funding covered by the Proposed NPS or at least considered as part of implementing the NPS. We acknowledge the recently announced \$1 billion fund to accelerate housing infrastructure - this is a good initiative. However, further detail on how this can be accessed is required as there will be significant pressure on this fund given the number of high growth areas. Clarity around how the debt will be repaid is also needed.
- The capital and operational expenditure of local authorities should not be significantly and unreasonably impacted on as a result of the NPS requirements to ensure a certain amount of housing and business supply.
- Future Proof is concerned that councils are often constrained by legislation in terms of their ability to take on additional debt. This is why there needs to be a more comprehensive approach to the issue of development capacity and ensuring there is enough housing and business land to meet demand
- The Proposed NPS states that urban development capacity is of national significance given the contribution that urban areas make to the social, economic and cultural well-being of people and communities. Future Proof is of the view that, given its national significance, there should be funding assistance or more funding tools provided to local government to ensure that urban development can be enabled in a timely manner.
- We have some concerns about the timeframes proposed for completing consistent assessments, developing targets and implementing these through regional policy statements and district plans.
- We would like to see existing work recognised and able to be relied on in undertaking assessments.
- There should also be greater recognition of existing growth strategies, spatial plans and agreed settlement patterns.
- We would like to see a wider toolkit being used which would also address issues such as land banking and to look at other initiatives such as betterment.

3. The Future Proof Strategy

3.1 Context

The Future Proof sub-region is an area of rapid population and development growth. The Waikato region is the 4th largest in New Zealand and is part of the 'golden triangle' that is Auckland, Waikato and the Bay of Plenty. The golden triangle is expected to contain 53% of the nation's population by 2031 and account for over half of New Zealand's total economic activity.

The Future Proof sub-region is the growth hub of the Waikato region. It is projected that the Future Proof sub-region will contain 89% of the entire Waikato region's population growth out to 2031.¹ The Future Proof Strategy seeks to provide a consistent knowledge base and vision for its partner councils and other agencies in order to plan for, and sustainably manage growth in an integrated manner. Specifically the Strategy provides a framework for co-operatively managing growth and setting goals for future implementation. This allows the costs and resources required to fund and manage infrastructure such as transport, wastewater, stormwater, recreation and cultural facilities to be identified and provided for.

3.2 Strategy Features

The key features of the Future Proof Strategy are:

- A focus on providing well designed, sustainable and affordable housing and lifestyle choices;
- Increased densities in new residential development and more intensive redevelopment of some existing urban areas to reduce the need for car dependency;
- Metropolitan Hamilton being a vibrant and lively place where people want to live, work and play;
- Thriving business centres in the sub-region's towns providing local housing and employment options along with a range of social and recreational activities;

¹ Demographic projections completed for Future Proof by the National Institute of Demographic and Economic Analysis (University of Waikato), 2015, using data from 2013-2031

- Development directed away from hazard areas;
- Green spaces (i.e. wildlife habitats, public open space and farmland) between settlements;
- Planning focused on resilience of communities and infrastructure while moving towards highly energy efficient devices and low carbon emissions;
- Protection of future infrastructure corridors, energy generation sites and mineral deposits;
- Protection of versatile and productive farmland by directing rural-residential and residential development and business land closer to towns and villages. This will also assist in reducing reverse sensitivity issues;
- Identification, planned maintenance and enhancement of biodiversity areas, clusters and corridors;
- Integrated transport and land-use planning;
- The values, principles, aspirations, role, responsibility and place of tāngata whenua in the subregion;
- Development of key transport corridors; and
- Recognition of and support for protection of strategic nationally and regionally important service and businesses.

4. The Proposed National Policy Statement

4.1 General Comment

Future Proof supports the Proposed NPS's focus on providing development-ready land for housing and business that keeps pace with demand. The Future Proof Strategy, its implementation and the current Strategy Update process already provide much of what the Proposed NPS is seeking. The Strategy and its supporting documents contain population and dwelling estimates, identified growth areas (greenfield, intensification and business), density targets and infrastructure / funding considerations. The Strategy and its implementation also seek to have 10 years of developable land supply at any given time.

While Future Proof and its implementation through the regional policy statement and district plans, provides a responsive land use planning framework and works to ensure there is sufficient land

resources to meet demand over at least the next ten years, future growth is dependent on adequate infrastructure financing and delivery. The Proposed NPS does not address infrastructure financing or delivery.

Future Proof is also concerned that Councils are often constrained by legislation in terms of their ability to take on additional debt (eg by the debt servicing requirements as set out in the Local Government (Financial Reporting and Prudence) Regulations 2014. This is why there needs to be a more comprehensive approach to the issue of development capacity and ensuring there is enough housing and business land to meet demand. There is little point having an NPS which instructs councils to provide sufficient land if there is no viable way to provide the infrastructure and funding needed to bring the land to market.

We acknowledge the recently announced \$1 billion infrastructure fund to accelerate housing infrastructure. This is a welcome initiative. However, it is unclear how councils will be able to access the fund and we are also concerned about the pressure on the fund given the number of high growth areas that will be able to apply to it. Clarity around how the debt will be repaid is also needed.

The Proposed NPS identifies the Hamilton Zone as a high growth area, and thus subject to the NPS in its entirety. Table 1 of the Proposed NPS identifies Hamilton City, Waipa District, Waikato District and Waikato Regional Council as the relevant councils for the Hamilton high growth area. Future Proof supports this approach as it is important that the sub-regional partners are involved in the implementation of the Proposed NPS as it relates to Hamilton and its surrounding area. The sub-regional partners already work together and collaborate on a number of growth management matters.

The northern Waikato is an area that has come under particular development pressure in recent times. This area is directly affected by Auckland. Future Proof is of the view that the Proposed NPS needs to acknowledge the role of the Future Proof partners, in particular Waikato District Council, in the Southern Auckland Urban area. Waikato District is directly affected by the growth of southern Auckland since the northern part of the district is very much a part of the wider functional Auckland sub-region.

Future Proof does have some concerns around particular areas of the Proposed NPS. Areas of concern and support are outlined below. Section 4.7 contains responses to the specific questions outlined in the consultation document.

4.2 Outcomes for Decision-Making

Future Proof is of the view that the outcomes sought as outlined in this section of the Proposed NPS may be difficult to achieve unless wider issues that can inhibit bringing development to market are also addressed. This includes the funding of infrastructure and issues around land banking. Developers cannot be compelled to bring land to market. Land banking is a significant issue in terms of ensuring that there is adequate supply to meet market demand in a timely and efficient manner. Mechanisms to incentivise developers to bring land to market should be considered as part of the implementation of the Proposed NPS.

4.3 Evidence and Monitoring to Support Decision-Making

Future Proof submits that the Proposed NPS should factor in existing work that has been undertaken in terms of housing assessments, business land assessments, consultation and monitoring. At present the Proposed NPS requires de novo assessments when in a lot of situations, including the Future Proof sub-region, significant work has already been undertaken and should be able to be relied upon.

Future Proof is of the view that Policy PB1 should be amended so that existing relevant work can be used. There needs to be some flexibility around how the assessments are undertaken, especially for councils where detailed analysis has already been completed and is relatively current. The following suggested change is sought to this policy:

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.

Local authorities may rely on existing housing or business land assessments that have been undertaken and update these to meet the requirements of policy PB1.

Issues around data consistency for Policy PB2 need to be addressed. The Proposed NPS requests that councils use the data in Appendix 2 which is based on Statistics NZ medium projections. A number of growth areas use Statistics NZ 'high' projections to ensure there is sufficient supply given that growth levels often exceed what Statistics NZ projects.

Policy PB2 should make reference to existing growth strategies and / or spatial plans. These provide important strategic direction as well as information and data to support the assessments. The following addition to this policy is sought:

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.*
- *Existing strategies or plans which are relevant to development capacity, such as growth strategies and spatial plans.*

Policy PB3 in the Proposed NPS requires that in carrying out housing and business land assessments particular regard must be had to the actual and likely availability of infrastructure. It would be helpful for the final NPS to define what “likely infrastructure” means. Future Proof suggests that it should refer to infrastructure identified in either a Long Term Plan or Infrastructure Strategy.

Clarity is also required around several aspects of the terminology used and the metrics that guide the Housing and Business Land Assessments, including:

- The extent of catchments
- More detail on what is “sufficient”
- Infrastructure definition should include telecommunications, power and community infrastructure

In particular, Future Proof submits that the Proposed NPS needs to widen the definition of infrastructure as it currently only includes water supply, wastewater, stormwater, transport, and passenger transport services. To be successful the provision of housing and business land is about much more than just network infrastructure, it needs to include community infrastructure (as defined in the Local Government Act 2002) and other social infrastructure.

Future Proof seeks greater clarity around the approach to development capacity. There should be a graduated approach to development capacity in the short, medium and long term, for example combinations of zoned, viable and serviced land. Such an approach could be as follows:

- Short term (3 yrs) - Land should be zoned, viable and serviced (i.e. development-ready)
- Medium term (10 yrs) – Zoned, viable and an investment strategy in place (ie long term plan and infrastructure strategy)
- Long term (30yrs) - Identified in 30 year growth / infrastructure strategies

This would ensure that there is the right balance between development-ready land and not placing a burden on local authorities to service and fund land that is not required for another 10 years plus.

Policy PB3 refers to matters that local authorities should have particular regard to in carrying out the assessments required under policy PB1. Future Proof submits that this list should also include the impact on councils operational and capital expenditure and the funding ability of infrastructure providers to fund the infrastructure required in a timely manner. The following change is sought to the policy:

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.*
- *The impact on a local authority's operational and capital expenditure*
- *The funding ability of providers to fund infrastructure in a timely manner.*

Future Proof supports the recognition in the policies of the shared responsibilities that exist across local authorities and with other infrastructure providers, including developers.

Future Proof supports having centralised assistance for the assessments and their implementation and also for data management where appropriate.

4.4 Co-ordinated Evidence and Decision-Making

Future Proof supports an integrated planning approach across providers as set out in policies PC1 to PC3.

4.5 Responsive Planning

Changes to Planning Documents

It is important to note that the Hamilton Zone encompasses the Future Proof sub-region. The sub-region has been specifically identified within the Waikato Regional Policy Statement, which became operative on the 20 May 2016. Any future amendments to planning documents arising as a result of the Proposed NPS should not be inconsistent with settled sub-regional growth strategies and related provisions in the Waikato Regional Policy Statement.

Timeframes

The timeframes proposed may be too tight in terms of completing consistent assessments, developing targets and implementing these. This will be particularly challenging if guidance isn't available immediately after the adoption of the Proposed NPS.

Future Proof seeks greater clarity around the timeframes on implementing any planning changes as the current timeframes may be overly ambitious, particularly for policies PB1 and PD4. It is unclear when housing and business assessments have to be completed by. The policy states either by the end of 2018 or upon becoming a high growth area. However, some areas are high growth now so does this mean that assessments need to be completed within one year of the Proposed NPS becoming operative or does this only apply to new high growth areas? This needs to be more explicit.

Policy PD4 requires that regional councils amend their regional policy statements 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
- Within 12 months of becoming a High Growth Urban Area.

This is problematic as it requires a change to the RPS to be completed at the same time as the assessments. The results of the assessments would need to be known first. Then there needs to be time to prepare the change. It is acknowledged that Schedule 1 processes will not apply given Section 55(2A) of the RMA 1991, however preparing the change and making the amendments will still take time.

Transitional Provisions should be considered in the Proposed NPS to ensure that timeframes can be met and also allowing effective implementation to occur.

Targets

Future Proof supports the direction to have targets in a regional policy statement relating to the number of dwellings and the different types of dwellings. The Waikato Regional Policy Statement already contains residential population targets for growth areas, density targets and business land provision. The Future Proof Strategy and supporting documents also contain dwelling numbers, including the need for different types of dwellings (eg intensification, infill, suburban / greenfield), therefore only minor tweaks will be required in order to align with the Proposed NPS.

PD5 provides that minimum targets must include an additional margin of at least 20% over and above projected short and medium-term demand; and 15% over and above projected long-term demand. It is unclear from the NPS why these figures have been included and in some instances this additional capacity may result in an over allocation of supply and potential unnecessary costs being born by local government to fund development capacity that may not be required in the short to medium term.

Land Release and Intensification Strategy

Future Proof supports Policy PD7 which provides for a future land release and intensification strategy. We note that the term 'intensification' should be defined.

Policy PD9 should reference existing growth strategies or spatial plans. These would provide important guidance for any land release and intensification strategy. The following changes to this policy are sought:

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;*
- *Have regard to plans and strategies relevant to future land release and intensification; and*
- *Have particular regard to policy PA1.*

Infrastructure and Funding Considerations

Urban development is considered to be a nationally significant issue as outlined in section 4 of the Proposed NPS. Given the importance of the issue it should have access to the funding tools required to enable it to occur. This may be a matter that falls outside of the Proposed NPS but it needs to be addressed as part of its implementation.

Future Proof is of the view that co-investment is needed across the full package of infrastructure. This co-investment includes the private sector, local authorities and Central Government agencies. This package of infrastructure is not just network infrastructure but also relates to community and social infrastructure – all the elements required for creating urban communities.

As noted earlier in this submission debt capacity for councils is a significant limiting factor in terms of providing the infrastructure required to bring land and housing to market.

Future Proof is of the view that complementary measures are required to actually deliver on development capacity and sufficient housing, including ultimate housing affordability outcomes. A wider

toolkit needs to be implemented alongside the Proposed NPS, including non-market housing, aligning other Government investment frameworks with the NPS (eg NZ Transport Agency, Ministry of Education), development agencies / land acquisition / value uplift and betterment models, loan facilities from the Government to local authorities for growth related infrastructure.

4.6 Implementation

Future Proof supports the guidance material proposed as part of implementation. It is important that there is a co-ordinated approach between central government and local government to manage future growth.

4.7 Response to Questions

What do you think of the proposal to target policies to different areas?

This is supported given the different growth rates which result in varying needs in terms of development.

Would these policies result in better decision-making under the Resource Management Act 1991 for urban development?

It is hoped that there would be better decision-making as a result of greater understanding of the supply and demand needs of an area for housing and business. However, decisions around urban development capacity need to be made in overall context of having land in the right locations, that support existing infrastructure and services as much as possible that have strong links with agreed growth strategies / spatial plans and settlement patterns, and promote liveable communities. The policies in the Proposed NPS, given its narrower focus on development capacity, won't necessarily be able to achieve this.

What impact would the policy to recognise the positive impacts of development have?

This should have a strong impact as it binds all decision-makers to maximise the positive effects of a development.

What could the government do to help local authorities carry out the assessments?

- Ensure there is consistency in undertaking the assessments
- Provide detailed guidelines on how the housing and business assessments should be undertaken
- Provide information on development feasibility and how this is understood over time
- Provide information on assessing the demand of different groups in the population for different types of dwellings – this is a very important area and one which councils may require knowledge sharing and potential funding assistance with
- Business land assessments are also inherently difficult so focused guidance in this area would be useful
- Allow local authorities to make full use of their existing work and information sources to undertake the assessments (eg if a council has recently undertaken a business land assessment they should be able to sue this and not complete another assessment)
- Data consistency
- Better definitions of terms and what is expected

Is three years an appropriate timeframe to update the assessments?

Yes. It is important that this also aligns with Long Term Plans so that infrastructure can be provided for if required for any short or medium term needs.

Should there be more direction in the proposed NPS on how to assess the commercial feasibility of plan-enabled development capacity?

Yes given the complex nature of commercial feasibility. Detailed guidance on how local government should assess and determine feasibility is critical.

Would the proposed policies contribute to better coordination between land-use planning and infrastructure provision?

To some extent it will but consideration should also be given to coordination across the various planning statutes in order to ensure there is integration between all planning documents, ie across the Resource Management Act, the Local Government Act and the Land Transport Management Act.

What are your views on setting minimum targets in the regional policy statement?

Future Proof supports this approach as there are already some targets in place through the Waikato Regional Policy Statement.