

PROPOSED NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT CAPACITY: SUBMISSION

13 July 2016

1 INTRODUCTION

- 1.1 Waipa District Council (Waipa) thanks the Local Government and Environment Select Committee for this opportunity to submit on the Proposed National Policy Statement on Urban Development Capacity (“the NPS”). Waipa supports any national policy direction that provides clarity and direction for local government on how urban development capacity can be delivered in New Zealand.
- 1.2 Waipa has already undertaken extensive planning for growth, by having and implementing¹ our 2050 Growth Strategy, and as a partner of Futureproof – the sub-regional Growth Strategy.
- 1.3 Whilst Waipa generally supports the NPS, there are some issues of concern as outlined below. This submission also directly responds to some of the questions posed by the consultation document forwarded to stakeholders by the Ministry for the Environment (MFE) in June 2016.
- 1.4 This submission represents the views of the Mayor and elected members of the Waipa District Council.

2 SPECIFIC COMMENTS

2.1 General observations

- 2.1.1 Good urban planning is not limited to addressing only housing and business land supply. Planning for housing and business needs to be an integrated process addressing all elements that make a successful, liveable district. This includes the location of employment, social and public services and facilities, transport networks, and other infrastructure such as parks and reserves, community amenities and facilities, along with good urban design. Consideration should be given to ensure housing and business assessments take these matters into consideration.
- 2.1.2 Waipa recognizes that the NPS is part of a suite of wider government efforts to amend the RMA and improve the basis for, and outcomes of, urban planning and development in New Zealand. However, Waipa is concerned that the NPS focuses on a very narrow ‘solution’ to the wider complex factors and policy settings which contribute to NZ’s affordable housing problems. Central Government needs to

¹ Through the Proposed District Plan.

consider a range of tools and regulatory methods to address the affordable housing issue – many of which will be central government, rather than local government regulatory methods.

- 2.1.3 In respect of social and public services, Waipa is pleased to note that policy PC1 of the NPS requires councils to consult with central government infrastructure providers, however in Waipa's view this should be expanded to include the Ministries responsible for key social and public infrastructure (i.e. education, social housing)². It is essential that the Ministries responsible for these key social and public services (such as education, social housing etc.) actively engage in spatial planning for the mutual benefit of all sectors/ communities.
- 2.1.4 There is a link between central government immigration policy and spatial planning, particularly in the long-term where much of NZ, including Waipa, will have an aging population, and will need immigration to sustain a workforce. It would therefore be beneficial if central government provided a consistent immigration setting so that councils can appropriately factor immigration into growth planning. This is particularly important as the NPS will require councils to have land supply that exceeds demand.
- 2.1.5 The NPS is silent on environment matters, which implies that housing and business land needs should precede the management of environmental matters, and in doing so, it assumes the capacity and capability of natural resources to accept proposed developments. This is of concern to Waipa particularly as the Waipa District has highly productive soils with few limitations, making it an ideal place for agriculture. As a result, Waipa's dairying industry is nationally important from an economic perspective. The NPS needs to enable councils such as Waipa to balance urban demand considerations against the need to retain productive land for farming.
- 2.1.6 The final general observation is that the NPS does not address the issues of land banking in land and development markets. Councils can make zoning decisions, fund infrastructure and issue resource consents for development and subdivision, but cannot compel developers to bring land to market. This is a significant issue in ensuring adequate supply can meet market demand in a timely and efficient manner, and a mechanism³ to incentivise developers to bring land to market should be considered as part of the development of the NPS. Councils have no guarantee that these areas would be developed as developers could potentially land bank. We note that Waipa submitted on this matter in its submission to the Productivity Commission on the 'Using Land for Housing' Report.

² The definition of 'infrastructure' in the NPS only refers to 'network infrastructure for water supply, wastewater, stormwater, transport and passenger transport services'.

³ i.e. Limit the ability for developers to stage subdivisions, impose shorter timeframes from subdivision consent approval to s224c (amendment to RMA required). Consider other non-RMA mechanisms.

2.2 Infrastructure

- 2.2.1 Waipa has a flexible land use planning framework and sufficient land resources that are zoned with infrastructure either in place or identified for funding over the next ten years. However, future growth is dependent on adequate infrastructure financing and delivery. The NPS does not address the issue of infrastructure financing or delivery.
- 2.2.2 While Waipa can identify and zone more land to provide additional supply, it may be constrained from taking on additional debt by the debt servicing benchmarks established in the Local Government (Financial Reporting and Prudence) Regulations 2014 issued under the Local Government Act. These regulations require high-growth councils to ensure that borrowing costs (interest payments on debt) do not exceed 15% of revenue (excluding Development Contributions and gains on financial instruments or assets).
- 2.2.3 Policy PB3 in the NPS requires that in carrying out housing and business land assessments there must be regard to the actual and likely availability of infrastructure. It would be helpful for the final NPS to define what constitutes 'likely infrastructure', and Waipa suggests this should refer to infrastructure identified in either a Long Term Plan or Infrastructure Strategy. Providing for large scale infrastructure, principally roads, water networks, parks, libraries and other community facilities is what create sustainable communities.

2.3 Hamilton Zone, Te Awamutu Zone and Cambridge Zone

- 2.3.1 There are three zones ('Main Urban Areas') in the NPS which are included within Waipa's territorial authority boundary. The Te Awamutu Zone and Cambridge Zone⁴ are wholly contained within Waipa's territorial authority boundary, however the Hamilton Zone extends southwards from Hamilton City Council's territorial authority boundary to include a portion of land in the Waipa District (refer to map 1 below).

⁴ Both Cambridge and Te Awamutu are defined as "Main Urban Areas".



Map 1: Main Urban Area Boundaries

2.3.2 It is important to note that all three Zones with Waipa's District are encompassed by the Future Proof sub-region. This sub-region has been specifically identified within the Waikato Regional Policy Statement (RPS), which became operative on the 20 May 2016. Any future amendments to planning documents arising as a result of the NPS should not be inconsistent with settled sub-regional growth strategies and related provisions in Regional Policy Statements.

2.3.3 Additionally, Waipa notes that the Zones include areas that are vastly bigger than the existing urban areas of the District/City where growth largely occurs. Given policy PD4 states that councils should *"not restrict their responses to meeting demand to only the area that lies within the... high growth area"*, the value of the identification of these zones, rather than the towns seems low.

2.4 Assessments

2.4.1 Assessments need a co-ordinated approach between central government and local government to manage future growth. Without better national guidance, other than using the Statistics NZ population figures, there is the likelihood of different approaches being developed across the country for Housing and Business Assessments. Accordingly, it is critical that detailed, clear technical guidance on how to prepare the residential and business land assessments to address the NPS are prepared and released at the same time the NPS comes into effect.

2.4.2 The NPS requires the Housing and Business assessments (policy PB1) to be completed by the end of 2018. This means that any subsequent amendments required to council's planning framework or infrastructure financing will not align

with the next Long Term Plan. Being a high growth area we also need to rely on the Waikato Regional Council to introduce targets within its Regional Policy Statement (RPS) which we must give effect to. These would need to be completed by the end of 2017 to be effective. Transitional Provisions should be considered in the draft NPS to ensure that timeframes allow effective implementation to occur.

- 2.4.3 In addition, Waipa is currently undertaking a review of our Growth Strategy to ensure that the staging, sequencing and timing of growth cells match demand. The Growth Strategy needs to be sufficiently progressed by the end of 2016 to ensure that new or revised infrastructure requirements can be factored into the LTP process for the 2018 LTP; and the review process (including required amendments to the District Plan) will be finished by June 2017. While council can have regard to the requirements of the Housing and Business assessments during this review, in the absence of clear, concise guidance material (as discussed in paragraph 2.4.1 above), the information relied on for the review is unlikely to meet all the requirements of the NPS assessments (policy PB1). Further, this additional work is unbudgeted, and council does not have the expertise in-house to meet some of these requirements. Transitional Provisions also need to ensure that councils are not required to undertake new assessments immediately after finishing current growth strategy reviews.

2.5 Growth rates

- 2.5.1 The medium growth rates from Statistics NZ are used within the NPS to identify the High and Medium Growth Areas. It is not clear within the objectives and policies or the definitions, that this medium rate is to be used moving forward, or whether the low or high growth rates be used in lieu of the medium rate for undertaking assessments. This requires clarification. Additionally, clear direction should be identified within the definitions of 'what constitutes sufficient', or 'demand' within the NPS.
- 2.5.2 The NPS requires councils to provide an additional land capacity margin of at least 20% over and above projected short and medium term demand, and an additional 15% above projected long term demand on top of the actual development capacity required. The rationale for this is that not all capacity provided by councils can or will be developed. 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.

2.6 Indicators and monitoring

- 2.6.1 Policy PB5 requires Medium and High Growth Areas to monitor a range of indicators on a quarterly basis (or as frequently as possible). The manner in which the indicators are currently stated will likely result in councils interpreting the requirements differently. Consequently, Waipa considers that it is essential that clear and comprehensive best practice methodologies for the specific monitoring

indicators are provided by MFE at the same time the NPS comes into effect. This will assist with establishing a consistent and comparable approach across the country for the monitoring of these indicators.

2.6.2 In additional, in Waipa's view the following indicator assessments should be monitored nationally rather than by councils. Much of this data is probably already collected and monitored by Ministries, and the Ministries will have the resources and the expertise to undertake the assessments (whereas most councils will need to commission consultants to undertake this work). This will be more cost-effective, and will ensure that indicators are monitored consistently across the country.

- 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.

2.6.3 The indicators set out under PB5 do not include indicators that measure the delivery of objective OA1, and PA1 and PA3 outcomes relating to livability. For example, trip to work distance, availability of social infrastructure, employment opportunities locally, and other benchmarks.

2.6.4 The use of the Te Awamutu Zone and Cambridge Zone boundaries as the geographical areas for monitoring the indicators in PB5 currently possesses some additional challenges. Firstly, the zone areas are not currently integrated into the Statistics NZ data tools; consequently deriving statistics for these urban zones will be a very manual process, which is neither cost-effective or efficient. Furthermore, monitoring this suite of indicators across existing territorial boundaries (for the portion of the Hamilton Zone within Waipa) will require closer collaboration between the affected authorities. Whilst this is achievable, differences in capacity, data availability and costs will need to be overcome. It is therefore recommended that Statistics NZ identify and include urban zones within their data tools so as to provide consistent and accurate data.

2.7 Setting targets in RPS

2.7.1 The NPS requires Regional Councils to amend their Regional Policy Statement (RPS) to give effect to policies PD5 to PD6 without using the process in Schedule 1 of the Resource Management Act 1991 (the Act); however there is no equivalent exemption for territorial authorities, who are then required to give effect to the RPS using a full Schedule 1 process. The Schedule 1 exemption needs to apply to territorial authorities who need to subsequently amend their District Plans.

2.7.2 It is noted that the term 'local authority' in the NPS is defined as having "...the same meaning as in section 2 of the Act", and section 2 of the Act defines local authority as "means a regional council or territorial authority". Clarification is required as to whether the term 'local authority' where stated in the NPS is intended to apply to both regional councils and territorial authorities. To avoid this interpretation issue, it

is recommended that the NPS refers to either 'regional councils' and/or 'territorial authorities' rather than local authorities, as applicable.

3.0 RESPONSE TO SPECIFIC QUESTIONS

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

This is supported as there are different needs in different areas with varying growth rates.

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

Yes, the NPS should result in better decision-making, as councils will have a more robust understanding of the supply and demand needs for housing and businesses.

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

Ensure that assessments are undertaken in a consistent manner by providing detailed guidelines on how to undertake business and residential land assessments, including how development feasibility is to be understood.

3.4 Is three years an appropriate timeframe to update the assessments?

Yes, this should align with the development of Long Term Plans and provision should be made to make this alignment so that infrastructure can be provided for if required for any short or medium term needs. However the transitional concerns as outlined above should be addressed.

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

The commercial feasibility of development capacity is a complex matter to understand and determine and detailed guidance on how councils should assess and determine feasibility is critical. Analysing commercial feasibility at a point in time when assessments are carried out for a 30 year horizon may not result in effective integrated land use planning over the longer term. Development feasibility analysis can only indicate what may be feasible now, which may not be the case when planning for capacity over a 30 year period.

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