

# Interim Regulatory Impact Statement: National Environmental Standards for minor residential units (granny flats)

<b>Decision sought</b>	This analysis informs the release of the National Direction discussion document for public consultation. This is an interim RIS that will be updated following consultation on the national direction program in 2025.
<b>Agency responsible</b>	Ministry for the Environment
<b>Proposing Ministers</b>	Minister Responsible for RMA Reform
<b>Date finalised</b>	7 April 2025

Regulatory barriers, including resource consent processes, increase the time and cost to build new houses. This has an impact on the number of small houses being built.

The Government has committed to *‘amend the building and resource consent systems to make it easier to build minor residential units or other small structures up to 60 square metres, requiring only an engineer’s report.’*<sup>1</sup>

The proposals covered in this Regulatory Impact Statement (RIS) complement a wider set of changes being made to the Building Act 2004 (Building Act) and other relevant Acts (referred to as the building consent exemption changes), which are being progressed concurrently through a separate legislative process. The building consent exemption changes are expected to come into effect at the end of 2025/early 2026.

These proposed changes under the RMA and Building Act support the Government’s broader housing work programme designed to address barriers to housing growth and affordability, referred to as Going for Housing Growth (GfHG). GfHG consists of three pillars:

- Pillar 1: Freeing up land for development and removing unnecessary planning barriers.
- Pillar 2: Improving infrastructure funding and financing.
- Pillar 3: Providing incentives for communities and councils to support growth.

Together, these pillars aim to improve housing affordability by significantly increasing the supply of developable land for housing, both inside and at the edge of urban areas. Pillar 1 changes will be delivered through Phase 3 of RM reform, and a public consultation document will be released later this year to propose how these initiatives could be implemented in the reformed system.

<sup>1</sup> Coalition Agreement New Zealand National Party & New Zealand First (2023):  
[https://assets.nationbuilder.com/nzfirst/pages/4462/attachments/original/1700784896/National\\_NZF\\_Coalition\\_Agreement\\_signed\\_-\\_24\\_Nov\\_2023.pdf](https://assets.nationbuilder.com/nzfirst/pages/4462/attachments/original/1700784896/National_NZF_Coalition_Agreement_signed_-_24_Nov_2023.pdf)

The proposal in this RIS is to develop national environmental standards (NES) under the Resource Management Act 1991 (RMA) that will allow a minor residential unit to be built without a requiring resource consent, as long as it meets specified standards in the NES. While the National – NZ First coalition agreement refers to enabling granny flats up to 60 square metres, the NES is now proposed to enable granny flats up to 70 square metres. This aligns with recent updates to the building consent exemption proposal, and feedback received through submissions from the previous public consultation “Making it easier to build granny flats”, which was open for eight weeks from 17 June to 12 August 2024.

Together, the building consent exemption changes and the NES seek to reduce the regulatory burden for people building small, simple dwellings up to 70 square metres (more commonly called ‘granny flats’) so that it is quicker and less costly to build.

The legislative changes for the building consent exemption proposal are being progressed through a bill to amend primary legislation. The proposed new NES is a type of national direction instrument ie, secondary legislation under the RMA. The NES is planned to progress through the national direction programme – this is referred to as Phase 2 of RMA Reform. As part of phase two, we will consult on a package of new proposed national direction instruments and amendments to a suite of other national direction instruments, including the proposed NES for granny flats. While this is progressing through a different process to the proposed NES, the changes are intended to remain aligned for policy consistency.

The timeframes for the national direction programme and the bill for the building consent exemption changes are yet to be finalised.

This document is an interim RIS, and will be updated following public consultation at the same time as the other national direction instruments for phase two.

## Summary: Problem definition and options

### What is the policy problem?

Housing affordability is a key issue in New Zealand and has a greater impact on retirees on fixed incomes, Māori, Pacific people, and people with disabilities. There is increasing demand for, but a lack of supply, of small houses which reduces affordability.

There is poor alignment between household size and number of bedrooms in existing dwellings, suggesting an undersupply of one- to two-bedroom homes for smaller households. In the 2018 census, more than half of households had one or two people, but only a quarter of homes in Aotearoa New Zealand had less than three bedrooms. Recent data collected by the Ministry of Social Development from December 2024 shows 49% of applications in the public housing register require one bedroom.<sup>2</sup>

Regulatory barriers, including resource consent processes, increase the time and cost to build new houses. This has an impact on the number of small houses being built.

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<sup>2</sup> Emergency housing SNGs, December 2024. Ministry of Social Development (page 2): <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/housing/monthly-housing-update/2024/monthly-housing-report-december-2024.pdf>

The intent of this intervention is to coordinate the proposed changes across the Building Act 2004 and Resource Management Act 1991 (RMA) systems to support increasing the supply of granny flats and reduce the regulatory burden so that they are quicker and less costly to build.

While a number of district plans currently enable 'minor residential units', there is inconsistency in these provisions across the country. Not all councils enable granny flats (known as minor residential units in the resource management system), some only enable these in either residential or rural zones, and the relevant building standards vary. Where resource consents are a requirement for building minor residential units, this can be a barrier to building these homes.

The lack of enabling provisions in the RMA for granny flats has contributed to the lack of supply of this type of housing and therefore housing affordability for the aforementioned demographics

#### **What is the policy objective?**

The objective is to increase the supply of small houses for all New Zealanders, creating more affordable housing options and choice and to reduce regulatory requirements for MRUs.

The principles for achieving this objective include:

- Enabling minor residential units in the resource management and building systems, with appropriate safeguards for key risks and effects
- Coordinating requirements in resource management and building systems, where appropriate
- Supporting local government funding and infrastructure by ensuring growth pays for growth
- Supporting intergenerational living and ageing in place
- Supporting positive housing outcomes for Māori.

#### **What policy options have been considered, including any alternatives to regulation?**

The options for implementing this policy in the resource management system are:

- Option 1 – status quo
- Option 2 – national policy statement for minor residential units
- Option 3 – national planning standard for minor residential units
- Option 4 – national environmental standards for minor residential units with consistent permitted activity standards (preferred option).

#### *Preferred options and impacts*

The preferred option is option 4, an NES. This is a regulation under the RMA that sets out rules and standards for councils to implement. The NES will provide a nationally consistent approach to minor residential units, and will apply to those wanting to build a granny flat. The proposed permitted activity standards could differ in residential and rural zones, and could include:

- Maximum internal floor area
- Number of minor residential units per site
- Building coverage
- Permeable surface
- Minimum setbacks.

We propose enabling councils to have more lenient permitted activity standards than what are proposed in the NES, so this policy does not restrict the level of development that is

currently provided for in district plans. This is because some councils already have provisions for minor residential units that enable these larger than 70 square metres.

Councils give effect to NESs by amending any rules in their district plans that duplicate or conflict with the proposed standards. These changes will have immediate effect and do not need to go through a public RMA plan change process.

As outlined in further detail under the ‘What are the marginal costs and benefits of the option?’ section of this RIS, the Ministry for the Environment commissioned a modelling report on potential uptake of minor residential units under the proposed policy changes in Auckland, Dunedin, Masterton and Timaru. The report shows significant increase in uptake in Auckland (224%-417%), low-moderate increase in uptake in Dunedin (53-99%), low increase in uptake in Timaru (18-34%) and minimal to no impact in Masterton. While the report outlines a number of assumptions and limitations, it suggests the policy will increase granny flat uptake overall across New Zealand with significant variation across different towns and cities. Therefore, in practice the number of granny flats built will depend on a number of factors, including demand for granny flats in a particular area.

This policy is expected to save landowners an average of approximately \$1,500 in resource consent costs. While this is a marginal cost saving for landowners developing granny flats, the overall time and effort saved for landowners is potentially more significant as it currently takes an average of 10 weeks to process a resource consent, which is a barrier to building in the current resource management system. The announcement of a policy like this may itself raise awareness in the population that they could build a granny flat, which could influence their decisions and lead to a greater uptake.<sup>3</sup>

Councils will save time and money from not having to process resource consents for minor residential units that meet the standards in the NES.

#### *Treaty of Waitangi impacts*

An issue for Māori wanting to develop housing is the cost and time to consent small, simple houses and other buildings. This policy may go some way to support addressing the regulatory and consenting challenges for developing on Māori land,<sup>4</sup> and for papakāinga<sup>5</sup> and kaumātua housing,<sup>6</sup> where the circumstances of this NES applies. This proposal therefore has the potential in these circumstances to make it easier for Māori land trusts, whānau and other Māori groups to build housing and support intergenerational living. This policy will increase overall housing stock and has the potential to support renters including Māori renters.

This policy, however, is not designed to address the broader challenges related to building papakāinga and other Māori housing (including on Māori land) in itself. This has resulted in some limitations in the application of this policy to these matters. For example, the NES provides for the addition of one minor residential unit. This would limit how far the policy

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<sup>3</sup> [Crow, C. Liu, J. and Warren, W. \(2024\). Minor residential unit uptake analysis: Report on estimated policy impact. Auckland: Crow Advisory.](#)

<sup>4</sup> Includes Māori customary land and Māori freehold land (as defined by Te Ture Whenua Māori Act 1993).

<sup>5</sup> Can be described as communal settlements on ancestral Māori land.

<sup>6</sup> Housing specifically provided for kaumātua (elders).

caters for papakāinga development, which typically include multiple buildings. The Government is separately scoping more targeted national direction under the RMA to enable papakāinga to provide a more targeted policy response to support Māori housing outcomes in the RM system.

The overall implication of this proposal on Tiriti settlements is likely minor. The proposal does not prevent councils from upholding their Statutory Acknowledgment commitments for consenting and plan making, and does not directly affect planning processes that involve Post-Settlement Governance Entities (PSGEs) and joint entities.

There may be some impact as the proposed NES can override plans and mechanisms that notify PSGEs through resource consent processes. However, granny flats are unlikely to have any significant impact as section 6 of the RMA is out of scope and will continue to be regulated by councils.

**What consultation has been undertaken?**

Consultation on the [Making it easier to build granny flats discussion document](#) was open for eight weeks from 17 June to 12 August 2024 and 1,970 submissions were received. The discussion document outlined proposals to enable granny flats up to 60 square metres without building or resource consent.

The full [summary of submissions](#) can be found on the Ministry for the Environment's website. A brief summary of submissions is provided in the body of this RIS.

As mentioned above, the upcoming phase two national direction consultation package will include an updated proposal for the NES to enable granny flats up to 70 square metres, along with an updated set of permitted activity standards. These changes align with the building consent exemption proposal, and feedback received through submissions from the previous public consultation. Through the phase two national direction consultation, additional submissions will be invited on the updated NES package, alongside the broader development and infrastructure national direction consultation package in 2025. Submissions from both the 2024 consultation and the upcoming phase two consultation will inform final policy decisions on the NES.

**Is the preferred option in the Cabinet paper the same as preferred option in the RIS?**

Yes, the preferred options in the Cabinet paper are the same as the preferred options in the RIS.

## Summary: Minister's preferred option in the Cabinet paper

### Costs (Core information)

*Monetised costs*

No additional costs for landowners developing minor residential units and for prospective tenants for those minor residential units.

There would be one-off direct cost to councils to amend district plans if a rule duplicates or conflicts with a provision in the NES, as this will be a legal requirement. Most councils would need to amend plans to reflect one or two standards that are more enabling in the NES; some councils do not currently have any rules around minor residential units and would be required to insert all the standards into district plans. Therefore, the NES will not result in significant change from the status quo.

#### *Non-monetised costs*

Some councils will need to spend time amending their district plans but the NES will not result in significant change from the status quo.

### **Benefits (Core information)**

#### *Uptake analysis*

The Ministry for the Environment commissioned a modelling report<sup>7</sup> on potential uptake of minor residential units under the proposed policy changes in Auckland, Dunedin, Masterton and Timaru. The report shows significant increase in uptake in Auckland (224%-417%), low-moderate increase in uptake in Dunedin (53-99%), low increase in uptake in Timaru (18-34%) and minimal to no impact in Masterton. The report suggests the policy will increase granny flat uptake overall across New Zealand with significant variation across different towns and cities.

#### *Monetised benefits*

This policy is expected to save landowners an average of approximately \$1,500 in resource consent costs. The time and effort saved for landowners is potentially more significant as it currently takes an average of 10 weeks to process a resource consent, which is a barrier to building in the current resource management system.

Councils will save time and money from not having to process resource consents for minor residential units that meet the standards in the NES.

Tenants will likely experience potential direct and ongoing savings on rental costs once the supply of minor residential units increases.

#### *Non-monetised benefits*

Landowners may be more likely to build a minor residential unit knowing regulatory barriers are reduced, providing indirect and ongoing benefits to prospective tenants.

### **Balance of benefits and costs (Core information)**

The benefits of developing an NES outweigh the costs.

This policy is expected to save landowners an average of approximately \$1,500 in resource consent costs. While this is a marginal cost saving for landowners developing granny flats, the overall time and effort saved for landowners is potentially more significant as it currently takes an average of 10 weeks to process a resource consent, which is a barrier to building in the current resource management system. The average time taken to process land use consents has been steadily increasing and was more than double the regulated 20 days to process in 2022/23.<sup>8</sup>

The announcement of a policy like this may itself raise awareness in the population that they could build a granny flat, which could influence their decisions and lead to a greater uptake.<sup>9</sup>

Removing the time/cost barriers to consents would likely incentivise a greater uptake of this typology, supporting the delivery of housing to meet the current unmet demand. The

<sup>7</sup> [Crow, C. Liu, J. and Warren, W. \(2024\). Minor residential unit uptake analysis: Report on estimated policy impact. Auckland: Crow Advisory.](#)

<sup>8</sup> Ministry for the Environment (2024): [Patterns in Resource Management Act Implementation – National Monitoring System data from 2014/15 to 2022/23.](#)

<sup>9</sup> [Crow, C. Liu, J. and Warren, W. \(2024\). Minor residential unit uptake analysis: Report on estimated policy impact. Auckland: Crow Advisory.](#)

awareness of the possibility of developing a minor residential unit as a result of these policy announcements may also increase the likely development of this typology.

## **Implementation**

Councils will be responsible for implementing the NES and will have to amend district plans if a rule duplicates or conflicts with a provision in the NES. Such a plan change will have immediate effect and will not undergo a public notification and hearing process and cannot be appealed. Councils can retain more lenient standards.

Homeowners wishing to build a granny flat on their property will need to check the NES or the relevant district plan (once it has been amended) to see whether their proposed granny flat will meet the standards in the NES, or more enabling standards in the district plan, or whether they need to apply for a resource consent.

There is a risk that people will develop minor residential units that do not meet the permitted activity standards in the NES without applying for a resource consent. With many councils currently permitting minor residential units, this is already a risk, and the NES should not increase it significantly.

The NES is planned to come into effect at the end of 2025/early 2026. Specific transitional arrangements are already provided for within the NES provisions in the RMA, which will be referenced within the NES for clarity.

## **Limitations and Constraints on Analysis**

### *Scope of policy options*

The Government committed, in the National – New Zealand First coalition agreement, to ‘*amend the Building Act and the resource consent system to make it easier to build minor residential units or other small structures up to 60 square metres, requiring only an engineer’s report*’.

Initial advice and options considered were developed at pace and were focused on options that could be progressed as part of the planned legislative amendments either through a resource management bill being progressed (referred to as bill #2), or the phase two national direction programme. This influenced the scope and nature of these legislative options (ie, secondary legislation which could be introduced through an amendment to primary legislation, or via the standard national direction process under the RMA via the national direction programme). Non-regulatory options in relation to the building act changes, were discussed with Ministers at initial stages of the policy development process, but were not preferred by Ministers and therefore were not progressed.

The proposals in this RIS were previously publicly consulted on in June-August 2024. This included a consultation document that included Regulatory Impact Statement (RIS) elements. This analysis has been transferred into this document to support the process for developing national direction under the RMA.

As discussed above, since the 2024 consultation, the NES is now proposed to enable granny flats up to 70 square metres to align with feedback received through submissions from the 2024 consultation and Cabinet decisions on the building consent exemption proposal. This Interim RIS has been prepared to support upcoming public consultation process on a proposed NES that will be progressed through the national direction programme as part of phase two of RMA reform.

The options and analysis in this Interim RIS do not fully reflect all feedback received from the 2024 consultation as:

- this Interim RIS only assesses the legislative mechanism to enable granny flats under the RMA and not the specific permitted activity standards
- the NES proposal has been updated since the 2024 consultation to align with changes to the building consent exemption proposal and feedback received through the 2024 consultation.

Any further feedback received through the phase two national direction consultation process will be considered alongside those submissions already received through the 2024 consultation, and this RIS will be updated to support final Cabinet policy decisions. The updated RIS will also include a full assessment of each permitted activity standard.

#### *Impact analysis*

The Ministry for the Environment commissioned analysis<sup>10</sup> of the likely effect of the minor residential unit policy on the supply of these dwellings over time. The analysis covered four councils, chosen because they currently permit minor residential units in part, but not all of their district plan and their supplied data had relatively complete text descriptions for most consents, which were used to identify whether a consent involved a minor residential unit. This report is used to support analysis about the impacts of the policy more broadly, although we note it is limited as it is narrow rather than comprehensive.

**I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.**

**Responsible Manager(s) signature:** \_\_\_\_\_

**Stephanie Gard'ner**  
Manager, Urban Policy



**Date**

**2 April 2025**

### **Quality Assurance Statement**

**Reviewing Agency:**

**QA rating:** Meets

#### **Panel Comment:**

A quality assurance panel comprising members from the Ministry for the Environment and the Ministry of Housing and Urban Development has reviewed the interim regulatory impact statements (RIS) for the above regulatory proposals. The panel considers that it meets the Quality Assurance criteria. While the options in the interim RIS are constrained in scope (e.g. non-regulatory options are not included), the constraint has been acknowledged in the RIS. Due to the nature of the document, the interim RIS does not fully reflect all feedback received from the 2024 consultation. However, considering it will be updated following consultation to inform Cabinet final decision-making, the panel is satisfied that the interim RIS meets the consultation criterion as part of the quality assurance process. Overall, the quality assurance panel considers the interim RIS to be sufficient to support informed and effective consultation.

<sup>10</sup> [Crow, C. Liu, J. and Warren, W. \(2024\). Minor residential unit uptake analysis: Report on estimated policy impact.](#)



## Section 1: Diagnosing the policy problem

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### What is the context behind the policy problem and how is the status quo expected to develop?

#### Status quo

1. Housing in New Zealand is largely regulated by two pieces of legislation:
  - a. the Building Act 2004 (Building Act) – sets the rules for the construction, alteration, and demolition of new and existing buildings; and
  - b. the Resource Management Act 1991 (RMA) – sets requirements for the management of land use and effects on the environment.
2. Developments may require both a building consent and resource consent, depending on the context. Although they manage different risks and effects, the Building Act and the RMA collectively determine which rules a development is subject to.
3. Most district plans have rules and standards that apply to granny flats (or minor residential units as they are known under the RMA). A few councils enable secondary dwellings on a site which unlike minor residential units, are not required to be held in common ownership with the principal dwelling but are otherwise similar to granny flats. There are a few councils that do not appear to have any provisions that permit granny flats.<sup>11</sup>
4. While most plans have rules and standards for granny flats, these can differ depending on whether the granny flat is in a rural or residential zone. The standards that apply can vary both between zones, as well as across different councils and might include building position, building height and building size (see Appendix 1). If a granny flat does not meet the permitted activity standards in the district plan it will need a resource consent.
5. Regional plans do not have specific requirements for granny flats but may require a resource consent in certain circumstances, such as for on-site wastewater systems.

The proposed NES is part of a number of changes across the system to better enable housing supply

#### *Building Act changes*

6. The proposed NES for minor residential units is one part of a wider set of proposed changes. Other changes are being progressed to the Building Act (and other relevant legislation) (referred to as building consent exemption changes) concurrently to enable the construction of granny flats without requiring building consents. These changes include:
  - a. amendments to the Building Act to enable appropriately qualified and licenced tradespeople to build a granny flat up to 70 square metres without a building consent, given certain conditions are met
  - b. associated changes to the Local Government Act 2002 to require a Project Information Memorandum, and the Plumbers, Gasfitters, and Drainlayers Act 2006 to ensure appropriate records of work are produced.

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<sup>11</sup> Based on a preliminary desktop analysis, the following councils do not appear to have provisions for granny flats in their current district plans: South Waikato District Council, Ōpōtiki District Council, Wairoa District Council, Stratford District Council, Ruapehu District Council, Nelson City Council, Ashburton District Council and Gore District Council.

7. It is intended that where applicable, standards would be consistent between Acts to ensure a smoother process for those wanting to build granny flats. We also intend to provide non-statutory guidance on how the NES and the Building Act changes work together.

#### *Going for Housing Growth*

8. The proposed changes under the RMA and Building Act support the Government's broader housing work programme, referred to as Going for Housing Growth (GfHG).
9. GfHG consists of three pillars:
  - a. Pillar 1: Freeing up land for development and removing unnecessary planning barriers.
  - b. Pillar 2: Improving infrastructure funding and financing.
  - c. Pillar 3: Providing incentives for communities and councils to support growth.
10. Together, these pillars aim to improve housing affordability by significantly increasing the supply of developable land for housing, both inside and at the edge of urban areas.
11. Pillar 1 changes will be delivered through Phase 3 of RM reform, and a public consultation document will be released later this year to propose how these initiatives could be implemented in the reformed system.

#### *Phase two and Phase three resource management reforms*

12. The Government has previously announced an interim work programme, referred to as Phase two, which includes developing and amending a suite of new and existing national direction instruments, of which the proposed NES-GF is one. The scope of Phase two includes developing and amending national direction instruments where the policy has immediate effect and does not require a schedule 1 plan change, is well-developed policy, and would be transferable to the new resource management system.
13. Alongside the Phase two programme of national direction under the RMA, the Government has committed to replace the RMA (Phase three).
14. The Expert Advisory Group (EAG), appointed by the Minister Responsible for RMA Reform has developed its recommendations for a new resource management system. This has been referred to as Phase three of the Government's resource management reform programme.
15. We will continue to assess how the proposed NES for granny flats could be transitioned into the new resource management system as analysis on Phase three progresses.

#### *Relevant decisions relating to granny flats*

16. The National – New Zealand First coalition agreement includes a commitment to *“amend the Building Act and resource consent system to make it easier to build minor residential units or other small structures up to 60sqm, requiring only an engineer's report”*.
17. Options for meeting that commitment through potential changes to the Building Act and the resource management system were publicly consulted on in June-August 2024. Feedback received will inform the further development of the proposed NES, along with feedback received through this consultation.
18. The Minister Responsible for RMA Reform has agreed to progress the proposed NES through the Phase 2 national direction programme.
19. The proposed changes to the Building Act (and other relevant Acts) are proposed to be progressed through a bill. While these are different processes, the changes are intended to remain aligned as much as possible for policy consistency.
20. The timeframes for the national direction programme and the bill are yet to be finalised.

21. As mentioned above, since the 2024 consultation, Ministers directed officials at the Ministry of Business, Innovation and Employment (MBIE) to update the floor area of a granny flat to 70 square metres (from 60 square metres). Ministry for the Environment (MfE) officials took this opportunity to seek agreement from the Minister Responsible for RMA Reform to update the NES proposal to align with this direction, and to updated several other requirements in the NES to reflect feedback from the 2024 consultation.

## **What is the policy problem or opportunity?**

### **Housing affordability is a key issue in New Zealand**

22. New Zealand has some of the least affordable housing in the world<sup>12</sup> and home ownership dropped from 74% in the 1990s to 65% in 2018.<sup>13</sup> For Māori, the decline of home ownership rates is twice that of New Zealand Europeans.<sup>14</sup> Over the 12 months to June 2023, average housing costs per week increased 14.5%. Data from 2023 illustrates that over a quarter of households that do not own their home now spend more than 40% of their income on housing.<sup>15</sup> High housing costs have a greater impact on retirees on fixed incomes, Māori, Pacific people, and people with disabilities.
23. The proposals support the broader GfHG programme which aims to improve housing affordability by significantly increasing the supply of developable land for housing, both inside and at the edge of urban areas.

### **There is increasing demand and a lack of supply of small houses**

24. There is poor alignment between household size and number of bedrooms in existing dwellings, suggesting an undersupply of one- to two-bedroom homes for smaller households.
25. In 2018, just under 20% of houses in Aotearoa New Zealand had two bedrooms with 6 per cent having one bedroom. In contrast, more than half of households had one or two people.<sup>16</sup> Demographic changes such as an increase in single parent families, people having fewer children and an ageing population are likely to increase the demand for smaller houses in the future.
26. Recent data collected by the Ministry of Social Development from December 2024 shows 49% of applications in the public housing register require one bedroom.<sup>17</sup>

### **Regulatory barriers increase the time and cost to build new houses**

27. Housing has become more difficult and expensive to build in New Zealand. The cost of building a house increased by 41 per cent since 2019.<sup>18</sup>

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<sup>12</sup> OECD (2020) How's Life? 2020: Measuring Well-being. OECD Publishing, Paris.

<sup>13</sup> Statistics New Zealand (2020): Census data from Housing in Aotearoa.

<sup>14</sup> Stats NZ (2021) Te Pā Harakeke: Māori housing and wellbeing.

<sup>15</sup> Statistics New Zealand (2023): [Household income and housing-cost statistics: Year ended June 2023](#).

<sup>16</sup> Statistics New Zealand (2018): Census data.

<sup>17</sup> Emergency housing SNGs, December 2024. Ministry of Social Development (page 2): <https://www.msd.govt.nz/documents/about-msd-and-our-work/publications-resources/statistics/housing/monthly-housing-update/2024/monthly-housing-report-december-2024.pdf>

<sup>18</sup> The 41.3% represents the cumulative increase since the fourth quarter of 2019. This mostly occurred in 2021 and 2022.

28. Regulatory compliance costs for consenting and building are part of what drives housing costs. Where a resource consent is required for a small house, it is estimated to cost around \$1,500.<sup>19</sup>
29. While this cost is a small proportion of the overall cost of building a minor residential dwelling, the average time taken to process land use consents has been steadily increasing and was more than double the regulated 20 days to process in 2022/23.<sup>20</sup>
30. Removing the time/cost barriers to consents would likely incentivise a greater uptake of this typology, supporting the delivery of housing to meet the current unmet demand.

#### There is inconsistency in councils' approach to regulating granny flats

31. While a number of district plans currently minor residential units, there is inconsistency in how enabling these provisions are across the country. Not all councils enable granny flats, some only enable these in either residential or rural zones, and the relevant standards vary (minimum internal floor area, minimum setbacks etc.).
32. Through their feedback from the June-August 2024 consultation, most homeowners, iwi, hapū and Māori, builders and developers considered that an NES was the most appropriate way to enable granny flats, with a simple, consistent approach in all areas. This would provide certainty across the country regarding how and where granny flats can be built, which may in turn increase the likelihood of people wanting to build granny flats, thereby contributing to increasing housing supply.
33. However, most councils were concerned an NES would not consider local issues, including infrastructure capacity and flooding.

#### Māori housing outcomes

34. An issue for Māori wanting to develop housing is the cost and time to consent small, simple houses and other buildings. This policy may go some way to support addressing the regulatory and consenting challenges for developing on Māori land and for papakāinga and kaumātua housing where the circumstances of these proposals apply.
35. There are broader challenges to building and development on Māori land beyond the building and resource management systems. Barriers include a requirement to obtain a Māori Land Court order to use or occupy Māori freehold land, access to finance and the lack of infrastructure, which are not in scope of this proposal. We note separate national direction to enable papakāinga is being developed to provide a more targeted policy response to support Māori housing outcomes.

#### Smaller single storey homes present a more affordable housing option

36. Smaller, single storey homes generally present a more affordable housing option. Where there is land available on a property, these can be straightforward, cost effective and timely to deliver.
37. There are options for smaller one or two-bedroom dwellings coming to the market at an affordable price. For example, A1 homes offer a kit set home for a 60 square metre 1 bedroom dwelling for \$97,604.<sup>21</sup>

#### What objectives are sought in relation to the policy problem?

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<sup>19</sup> National Monitoring System 2021/22 consent data for minor residential units.

<sup>20</sup> Ministry for the Environment (2024): [Patterns in Resource Management Act Implementation – National Monitoring System data from 2014/15 to 2022/23](#).

<sup>21</sup> [KH 60b Flexi | A1 Homes | NZ](#).

38. The objective is to increase the supply of small houses for all New Zealanders, creating more affordable housing options and choice and to reduce regulatory requirements for MRUs.
39. The principles for achieving this objective include:
  - a. Enabling minor residential units in the resource management and building systems, with appropriate safeguards for key risks and effects
  - b. Coordinating requirements in resource management and building systems, where appropriate
  - c. Supporting local government funding and infrastructure by ensuring growth pays for growth
  - d. Supporting intergenerational living and ageing in place
  - e. Supporting positive housing outcomes for Māori.

### **What consultation has been undertaken?**

40. Consultation on the [Making it easier to build granny flats discussion document](#) was open for eight weeks from 17 June to 12 August 2024 and 1,970 submissions were received. The discussion document outlined proposals to enable granny flats up to 60 square metres without building or resource consent.
41. The full [summary of submissions](#) can be found on the Ministry for the Environment's website.
42. As mentioned above, the upcoming phase two national direction consultation package will include an updated proposal for the NES to enable granny flats up to 70 square metres, along with an updated set of permitted activity standards. These changes align with the building consent exemption proposal, and feedback received through submissions from the previous public consultation. Through the phase two national direction consultation, additional submissions will be invited on the updated NES package, alongside the broader development and infrastructure national direction consultation package in 2025. Submissions from both the 2024 consultation and the upcoming phase two consultation will inform final policy decisions on the NES.

### *Summary of submissions from the 2024 consultation regarding the RMA proposals*

43. There is general support for the proposal to make it easier to build granny flats under the resource management system, although there are risks and limitations. While many submitters agree with the NES approach, councils considered the status quo, or a national policy statement, would be more appropriate and less complex.
44. Most submitters agreed with the focus of the policy being on granny flats and supported excluding matters of national importance, subdivision and regional rules.
45. Most submitters considered accessory buildings (such as garages and sheds) up to 60 square metres should also be allowed, with some submitters noting existing district plans enable an internal floor area for granny flats greater than 60 square metres.
46. There is general support for the proposal to apply to all rural and residential zones, and in addition also apply to Māori purpose and mixed-use zones. Generally, most councils considered existing district plans are more appropriate than some or all of the proposed standards.
47. Submitters have raised concerns regarding the inconsistencies between the Building Act conditions and the proposed national environmental standards and consider these must be aligned. Many submitters consider both the limit of one granny flat per site and the definition requiring a granny flat to be ancillary to a principal dwelling are barriers to this policy and consider that these should be more enabling.

48. Infrastructure providers have raised concerns about reverse sensitivity<sup>22</sup> and safety issues. Many councils are concerned the policy does not align with other national direction policies including the medium density residential standards and the National Policy Statement on Urban Development (2020) which provide much greater development opportunities.
49. In relation to Māori land, papakāinga and kaumātua housing:
  - a. Submitters generally considered the policy supports Māori housing outcomes to an extent through reducing consenting costs, supplying more housing and creating social and economic benefits for Māori. There is concern that the policy will not provide for the needs of Māori communities who are more likely to need more than one additional unit per principal dwelling or site.
  - b. The 'minor residential unit' definition also does not provide for land held in multiple ownership on whenua Māori (Māori land). Some submitters considered the policy will exacerbate existing issues including poor quality housing and health outcomes. Many submitters considered Māori housing should be addressed through a separate policy and some submitters, including several councils and iwi/hapū/Māori, support a separate papakāinga national direction.

## Section 2: Assessing options to address the policy problem

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### What criteria will be used to compare options to the status quo?

50. The following criteria will be used to compare options:
  - a. Effectiveness – Is the option the most effective way to achieve the objective to increase the supply of small homes and increase affordable housing and choice? it is it the most effective way to provide a solution to regulatory barriers to small housing?
  - b. Efficiency –The regulatory burden (cost) is proportionate to the anticipated benefits.
  - c. Alignment – Does the option integrate well with other proposals and the wider statutory framework, including objectives in current national direction?
  - d. Implementation –
    - i. Is the option clear about what is required for implementation by local government/others and easily implemented?
    - ii. Is it providing enough flexibility to allow local circumstances to be adequately taken into account/addressed at the local level?
    - iii. Legislative requirements are clear and able to be applied consistently and fairly by regulators.
  - e. Treaty of Waitangi impacts – what are the Treaty impacts of this policy? Does this policy improve housing outcomes for Māori?
51. Options have been analysed using the following key:

Key for qualitative judgements:

- ++ much better than doing nothing/the status quo/counterfactual
- + better than doing nothing/the status quo/counterfactual
- 0 about the same as doing nothing/the status quo/counterfactual
- worse than doing nothing/the status quo/counterfactual

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<sup>22</sup> Reverse sensitivity effects can impact on the operation of existing uses which have significant adverse effects such as noise, vibration and odour on sensitive uses like residential areas.



### **What scope will options be considered within?**

52. The options considered in this RIS only relate to changes to the resource management system. Changes to the building consent system are being progressed separately through proposals to amend the Building Act and associated Acts.

### **What options are being considered?**

53. There is a range of options for national direction instruments under the RMA that can be used to develop a nationally consistent approach to resource management issues.
54. There are four options that have been considered to enable minor residential units under the RMA. These are:
- a. Option 1: Status quo
  - b. Option 2: National policy statement for minor residential units
  - c. Option 3: National planning standard for minor residential units
  - d. Option 4: National environmental standards for minor residential units.

#### **Option 1: Status quo**

55. Councils will continue to have their own district plan rules relating to minor residential units and many of these will continue to permit these in certain zones, however permitted activity standards vary across the country. Some councils will continue to not provide for minor residential units in either some or all zones.

#### **Option 2: National policy statement**

56. A national policy statement would prescribe objectives and policies for minor residential units that councils must implement in their district plans. This option would allow councils to take local variation into account, as it would not set specific standards. However, this would not provide a consistent approach to enabling granny flats as councils have discretion to set the particular standards for minor residential units.
57. Councils would either need to update or introduce new policies, objectives and standards for minor residential units into their district plans through an RMA plan change.
58. This option would introduce objectives and policies for minor residential units into some district plans which do not currently have these. This is a slight improvement from the status quo.

#### **Option 3: National planning standard**

59. A national planning standard would set objectives, policies, rules and permitted activity standards for minor residential units. It would allow a granny flat to be built without a resource consent. This would achieve nationwide consistency of granny flat provisions which is an improvement from the status quo.
60. The national planning standards would set nationwide standards such as internal floor area, building coverage, and setbacks, and these could vary in residential and rural zones.
61. Councils would be required to amend their district plans to ensure they are consistent with the national planning standards. Councils would not be required to undertake a

schedule 1 plan change and any changes to the district plan would take effect on commencement, which reduces the implementation requirements for councils.

#### Option 4: National Environmental Standards

62. National environmental standards would set out consistent permitted activity standards for minor residential units (eg, no resource consent required if standards are met). This would achieve nationwide consistency of granny flat provisions, which is an improvement from the status quo.
63. The national environmental standards would set nationwide standards such as internal floor area, building coverage, and setbacks, and these could vary in residential and rural zones.
64. Councils would be required to amend or remove any standards that duplicate or are inconsistent with those set in the national environmental standards. Councils would not be required to undertake a schedule 1 plan change and any changes to the district plan would take effect on commencement, which reduces the implementation requirements for councils.
65. Section 43A(3) of the RMA requires that if an activity has significant adverse effects on the environment, an NES must not:
  - a. allow the activity, unless it states that a resource consent is required for the activity; or
  - b. state the activity is a permitted activity.



## How do the options compare to the status quo/counterfactual?

	Option One – Status Quo	Option Two – National policy statement (NPS) for minor residential units	Option Three – National planning standards for minor residential units	Option Four – National environmental standards (NES) for minor residential units
<b>Effectiveness</b>	<b>0</b>	<b>0</b> Minor residential units are already enabled in many council areas. As an NPS allows councils to set their own standards, this would have a minimal impact from the status quo. It would ensure that granny flats are permitted nationwide and therefore make it easier for landowners to build granny flats. This may also increase the amount of renting opportunities for tenants. It would allow councils to set or retain standards that take into account local context.	<b>+</b> This option would ensure granny flats are permitted nationwide. This will make it easier for landowners nationwide to build granny flats and may increase the amount of renting opportunities for tenants. However, there is uncertainty whether the RMA provides for councils to have more lenient standards in district plans compared to a national planning standard.	<b>++</b> This option would ensure granny flats are permitted nationwide. This will make it easier for landowners nationwide to build granny flats may increase the amount of renting opportunities for tenants.
<b>Efficiency</b>	<b>0</b>	<b>--</b> Most councils already enable minor residential units. This is inefficient as the outcome will be largely the same as the status quo. This would require councils that do not provide for minor residential units to do so.	<b>+</b> Councils will need to ensure their plans do not have rules that duplicate or are in conflict with the national planning standards. This can be done without an RMA plan change process but would require further work by Councils.  It may be more complicated to address issues where councils already have more enabling provisions.	<b>++</b> Councils will need to ensure their plans do not have rules that duplicate or are in conflict with the NES standards. This can be done without an RMA plan change process but would require further work by Councils.
<b>Alignment</b>	<b>0</b>	<b>0</b> Would align with existing standards for minor residential units.	<b>0</b> This option aligns with the coalition agreement and the Building Act conditions. There may be issues with aligning this option to councils' more enabling provisions.	<b>+</b> This aligns with the coalition agreement and allows for alignment with the Building Act conditions. Through enabling councils to have more enabling standards, this also helps align the policy to existing granny flat provisions.

	Option One – Status Quo	Option Two – National policy statement (NPS) for minor residential units	Option Three – National planning standards for minor residential units	Option Four – National environmental standards (NES) for minor residential units
<b>Implementation</b>	<b>0</b>	-- Requires significant effort (eg, plan changes) from councils to implement.	-- Councils will need to update their plans; however, this will have immediate effect and will not need to go through schedule 1 process.  It may be more complicated to address issues where councils already have more enabling provisions.	- Councils will need to update their plans; however, this will have immediate effect and will not need to go through schedule 1 process.
<b>Treaty of Waitangi</b>	<b>0</b>	<b>0</b> Likely to enable a similar level of development for Māori as the status quo. Will not address broader regulatory and consenting challenges related to building papakāinga and other Māori housing (including on Māori land), particularly given the focus on minor residential units.	+ This option would support more housing choice for Māori in circumstances where the relevant policy requirements are met.  Will not address broader regulatory and consenting challenges related to building papakāinga and other Māori housing (including on Māori land), particularly given the focus on minor residential units.	+ This option will likely provide more housing choice for Māori in circumstances where the relevant policy requirements are met.  Will not address broader regulatory and consenting challenges related to building papakāinga and other Māori housing (including on Māori land), particularly given the focus on minor residential units.
<b>Overall assessment</b>	<b>0</b>	- Most councils already provide for minor residential units in their district plans. However, it would allow councils to provide for minor residential units in a way that is consistent with local contexts and issues.  This would require many councils to go through a schedule 1 plan change which is costly and time consuming.	+ This would result in a consistent approach to minor residential units nationwide. However, it will not enable councils to have granny flat standards that take into account local contexts and issues.  In some cases, this may be more restrictive than the status quo if it does not allow councils to have more enabling standards. Further work is required to determine how this would work in practice.	++ This would result in a consistent approach to minor residential units nationwide.  It will not enable councils to have granny flat standards that take into account local contexts and issues. However, it will enable councils to have more enabling standards.  This adds another layer of planning to an already complex system without having

	<b>Option One – Status Quo</b>	<b>Option Two – National policy statement (NPS) for minor residential units</b>	<b>Option Three – National planning standards for minor residential units</b>	<b>Option Four – National environmental standards (NES) for minor residential units</b>
		This adds another layer of planning to an already complex system without having significant impact compared to the status quo.	This adds another layer of planning to an already complex system without having significant impact compared to the status quo.	significant impact compared to the status quo.

**What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?**

- 66. In relation to option 2, an NPS would be inefficient because many councils already provide for minor residential units, and some may be required to update these provisions through an RMA plan change under schedule 1 of the RMA which would be time consuming and costly and would achieve a similar outcome to the status quo.
- 67. Many councils have more enabling provisions for minor residential units than the coalition agreement. Therefore, it is important that councils can have more enabling standards so this policy does not restrict what can already be developed. A national planning standard for minor residential units (option 3) would differ from the current scope of first set of national planning standards 2019 (which mostly relate to the structure and format of RMA plans), and it is not certain that this option could comprehensively allow councils to have more lenient standards as there is no precedent for doing this.
- 68. If this option continues to be developed, officials will need to work with our legal team to ensure councils can retain existing more enabling standards.
- 69. We consider that option four: national environmental standards (NES) for minor residential units is the most appropriate option. This is because it will achieve nationwide consistency of minor residential unit provisions without introducing significant implementation requirements for councils. This would provide certainty for plan users including iwi, hapū and Māori, and developers to understand the minimum permitted activity standards that councils must enable. It is anticipated to encourage more people to build minor residential units as these will be enabled nationwide without needing resource consent. The policy for the NES would enable minor residential units in all residential and rural zones across New Zealand which is more consistent than the status quo. Many councils have more enabling provisions for minor residential units than the coalition agreement. The national environmental standard will enable councils to have more lenient standards.
- 70. In accordance with section 43A(3) of the RMA, in the proposed NES, adverse effects would be avoided, remedied or mitigated by including permitted activity standards that would ensure that if met, would result in a development that has no more than minor effects on the environment. Eg, the permitted activity standards would ensure effects would be similar to that which could be occur from a permitted single dwelling on a site.
- 71. This option supports the Government's goals for providing more housing options and choice, reducing regulatory barriers to building MRUs, and delivering on its coalition agreement. It also aligns with the associated changes to the Building Act.

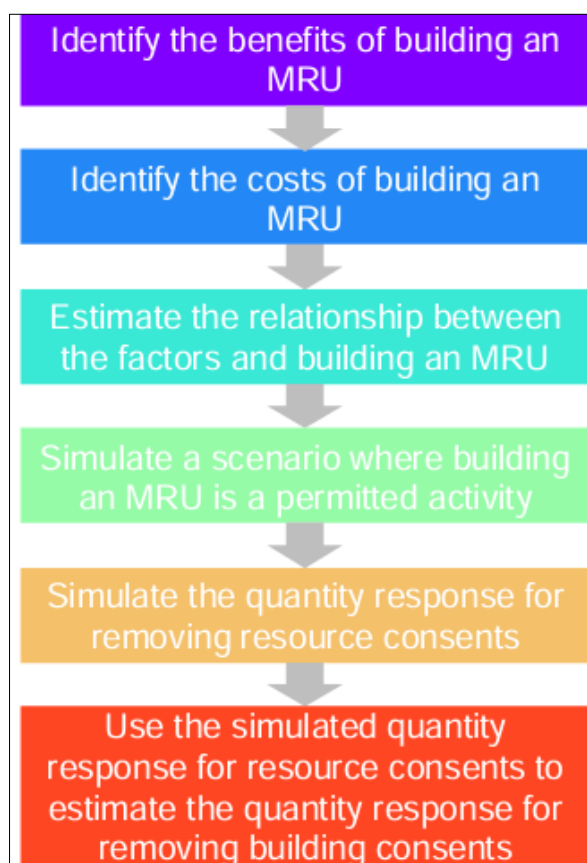
**Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?**

- 72. Yes, the Minister's preferred option in the Cabinet paper is the same as officials' preferred option in this RIS.

**What are the marginal costs and benefits of the preferred option in the Cabinet paper?**

73. The Ministry for the Environment commissioned Crow Advisory to undertake analysis<sup>23</sup> and present estimates of the likely impact of the proposed changes to the Resource Management Act and the Building Act (ie, no resource or building consent required, subject to certain standards/conditions) on the supply of new MRUs over the medium term (8 years). The report can be found on the Ministry for the Environment's website at: <https://environment.govt.nz/assets/publications/minor-residential-unit-uptake-analysis-report-v2.pdf>.
74. The analysis looked at data for four councils (Auckland Council, Dunedin City Council, Timaru District Council and Masterton District Council), chosen because they have minor residential units currently permitted in part but not all of their district plan and have relatively complete text descriptions for most consents, which were used to identify whether a consent involved a minor residential unit.
75. The analysis used a modelling process that included both logit and random forest machine learning approaches. The goal of the model was to estimate the likely number of MRUs added as a result of the proposed policy. The high level modelling process is set out of **Figure 1**.

**Figure 1:** High level modelling process used in Crow report (page 12).



76. Data sources included:
- building consent records from 2016 to 2023 in Auckland, Dunedin, Timaru and Masterton

<sup>23</sup> [Crow, C. Liu, J. and Warren, W. \(2024\). Minor residential unit uptake analysis: Report on estimated policy impact](#)

- b. supplementary consent history data from 2016 to 2023 provided for Auckland and Masterton by Auckland Council and Masterton District Council
  - c. the national District Valuation Roll provided by Land Information New Zealand (LINZ)
  - d. LINZ primary parcels and building outlines.
- 77. The report noted several limitations in relation to the data used and modelling approach.
- 78. Data limitations included:
  - a. quality issues with the consents data eg, missing values for number of dwellings added and floor area
  - b. variation in the dataset on whether a resource consent was required due to the variability of resource consent requirements across different zones.
- 79. In relation to the limitations with the modelling approach, the model did not consider:
  - a. the effects of future regulations or proposed plan changes, and was based on existing zoning regulations
  - b. the effects of future demographic or demand changes
  - c. parcel slope dynamics
  - d. different types of resource consents required and the impact of their 'permissibility' ie, did not distinguish between a permitted activity vs a controlled activity or restricted discretionary activity.
- 80. The report noted there may be other viable alternative modelling methods, including models that rely on different assumptions, such as a probit model or other machine learning models. These other methods may have yielded different estimates for the likely impact of the policy.
- 81. The report noted a broad assumption implied by this approach is that the future will be similar to the past, which it may not be in practice. The report also noted it compared the total number of MRUs in a hypothetical scenario to the current baseline number of MRUs. It then used assumptions based on past developments to estimate the rate at which these MRU developments would take place during the years following the policy change.
- 82. The analysis found that the policy would be likely to overall increase in the development of minor residential units. The analysis estimated the effect of reducing regulatory costs on the amount of minor residential units built. **Table 1** below summarises the low, medium and high estimates of policy impact over approximately 8 years.

**Table 1:** Excerpt from Crow report on the estimated policy impact of the NES for granny flats. This table shows percentage increases over the observed rate of MRU development.

	Low	Mid	High
<b>Auckland</b>	+224.29%	+320.42%	+416.54%
<b>Dunedin</b>	+53.24%	+76.06%	+98.88%
<b>Timaru</b>	+18.14%	+25.91%	+33.69%
<b>Masterton</b>	+0.00%	+0.00%	+0.00%

- 83. The report suggested this policy would increase granny flat uptake overall in New Zealand, with significant variation across different towns and cities. The report found that the spatial variation in uptake would likely be determined by demand for granny flats relative to how restrictive existing regulatory requirements are for granny flats in a particular area.

84. Given the limitations and assumptions of the data and modelling noted above, the report noted the results must therefore be understood in the context of those assumptions, therefore the range of estimates reflects uncertainties and potential incompleteness in the consent data provided. The report noted the relationship between the amount of land available and the likelihood of building an MRU may not be linear, and how this affects opportunity costs to building an MRU.
85. It is also worth noting that in practice, the uptake of this policy may depend on the demand in a particular area, the permissibility of underlying zoning, and the opportunity costs of building granny flats vs a more intensive development in higher density residential zones. Therefore, the uptake results in **Table 1** may not be fully realised, particularly in Auckland where there are already a range of residential zones with varying levels of intensification enabled.
86. Further discussions with Auckland Council highlighted other specific limitations in the data set. For example, the most recent available aerial imagery data used in the modelling is likely lagging actual development notably in areas such as Hobsonville and Flatbush where there has been significant development since 2018. Auckland Council officials have noted that while there would likely be a positive uptake in MRUs in the Auckland region, the figures in the report may therefore be overstated.
87. When considering the different costs involved, the report notes that while the freedom from regulatory burden costs is not the most important factor in the decision to build an MRU, it can still significantly affect the decision to build an MRU through removing monetary and non-monetary barriers associated with going through the consent process. The time it takes for a consent varies and the perception of the time costs as inconvenient ahead of time likely matters more to homeowners than the actual consent processing costs. People will view the reduced inconvenience of consent compliance differently, and it will have varying impacts on people's decisions to build a granny flat.
88. The report noted the announcement of a policy like this may itself raise awareness in the population that they could build a granny flat, which could influence their decisions and lead to a greater uptake, and therefore increase this typology of housing.<sup>24</sup>

#### Treaty of Waitangi impacts

89. In the context of this policy, relevant principles of Te Tiriti o Waitangi / The Treaty of Waitangi (Te Tiriti) include the principle of equity (particularly as it relates to ensuring equitable housing outcomes) and active protection.<sup>25</sup> An issue for Māori wanting to develop housing is the cost and time to consent small, simple houses and other buildings. Iwi, hapū and Māori submissions from the 2024 consultation raised concerns about how expensive and time-consuming consents are. Māori are also statistically more likely to live in crowded households, and the rate of Māori home ownership is declining at twice the rate of non-Māori.<sup>26</sup>

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<sup>24</sup> [Crow, C. Liu, J. and Warren, W. \(2024\). Minor residential unit uptake analysis: Report on estimated policy impact. Auckland: Crow Advisory.](#)

<sup>25</sup> This duty of the Crown was stated by the Court of Appeal to be "not merely passive but extends to active protection of Māori people in the use of their lands and waters to the fullest extent practicable" (New Zealand Māori Council v Attorney-General [1987] 1 NZLR 641, and affirmed by the Privy Council (PC) New Zealand Maori Council v Attorney-General [1994] 1 NZLR 513)

<sup>26</sup> The rate of Māori home ownership is declining at twice the rate of non-Māori. Māori are less likely to own a home or hold it in a family trust, than other ethnic groups. Likewise, the number of Māori aged 65 years and over is expected to more than double in the fifteen years from 2023 (66,500) to 2038 (134,700) and 2043 (151,600).

90. This policy may go some way to support addressing the regulatory and consenting challenges for developing on Māori land,<sup>27</sup> and for papakāinga<sup>28</sup> and kaumātua housing,<sup>29</sup> where the circumstances of this NES applies. This includes where such development is in the zones subject to the NES, the principal residential unit and minor residential unit are held in common ownership, and permitted activity standards are met. This policy has the potential in these circumstances to make it easier for Māori land trusts, whānau and other Māori groups to build affordable housing and support intergenerational living.
91. Increasing affordable housing options is also anticipated to benefit renters in both urban and rural environments. This could contribute to improving Māori housing outcomes as a higher proportion of Māori are renters than other ethnicities.<sup>30</sup>
92. This policy, however, is not designed to address the broader challenges related to building papakāinga and other Māori housing (including on Māori land) in itself. This is beyond the intended scope and purpose of this NES. This has resulted in limitations in the application of this policy to these matters.
93. For example, the NES provides for the addition of one minor residential unit. This would limit how far the policy caters for papakāinga development, which typically include multiple buildings. The requirement for the minor residential unit to be held in common ownership, with the principal residential unit may also not always fit with the ownership characteristics of collectively owned Māori land. There are broader challenges to building and development on Māori land beyond the building and resource management systems, which are not in scope of this proposal. Barriers include a requirement to obtain a Māori Land Court order to use or occupy Māori freehold land, access to finance and the lack of infrastructure.
94. We note the Government is separately scoping more targeted national direction under the RMA to enable papakāinga, including on Māori land, to provide a more targeted policy response to support Māori housing outcomes in the RM system. The policy proposal for papakāinga will also be consulted on through the national direction consultation process (phase two of RMA reform).

### *Tiriti Settlements*

95. The Government is committed to honouring commitments made by the Crown through past Te Tiriti settlements relevant to the proposed NES for granny flats. Some settlements require specific engagement with PSGEs and joint entities through RMA plan-making processes. The proposed NES would not affect the obligation on councils to inform or otherwise involve Post-Settlement Governance Entities (PSGEs) in consenting applications in relation to statutory acknowledgements.
96. However, it is worth noting, there may be some impact as the proposed NES can override plans and mechanisms that notify PSGEs through resource consent processes (e.g. Statutory Acknowledgements). In the case where no resource consent is required for a granny flat, this will mean that PSGEs and joint entities will no longer be informed of these proposals through the resource consent process. However, it is anticipated that granny flats are unlikely to have any significant impact eg, they are unlikely to be built on areas of

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<sup>27</sup> Includes Māori customary land and Māori freehold land (as defined by Te Ture Whenua Māori Act 1993).

<sup>28</sup> Can be described as communal settlements on ancestral Māori land.

<sup>29</sup> Housing specifically provided for kaumātua (elders).

<sup>30</sup> Te Pā Harakeke: Māori housing and wellbeing 2021: <https://www.stats.govt.nz/reports/te-pa-harakeke-maori-housing-and-wellbeing-2021/>



cultural or historical significance since they require a primary dwelling in order to be exempt from resource consent processes.

97. In addition, section 6 of the RMA is out of scope of the proposed NES, and will continue to be regulated by councils. The normal consenting processes apply for primary dwellings so the likelihood of granny flats being built on sites of significance is minimal.
98. Since NESs have immediate legal effect, the proposed NES can override existing relevant district plan provisions, some of which have been developed with input from PSGEs. In instances where existing plan provisions are more lenient than the NES, the provisions in the plan will be retained.

**Table 2:** Cost-benefit analysis of option four.

Affected groups	Comment	Impact	Evidence Certainty
<b>Additional costs of the preferred option compared to taking no action</b>			
Landowners developing minor residential units	-	-	-
Councils	One-off cost to councils to amend district plans if a rule duplicates or conflicts with a provision in the NES.	Low	Medium – amending plans is a legal requirement. Most councils would need to amend plans to reflect 1 or 2 standards that are more enabling in the NES; some councils do not currently have any rules around minor residential units and would be required to insert all the standards into district plans.
Tenants	-	-	-
<b>Total monetised costs</b>		Low	Medium – many councils already enable minor residential units provisions and aside from initially amending district plans, the NES will not result in significant change from the status quo.
<b>Non-monetised costs</b>		Low	Medium – some councils will need to spend time amending district plans but the NES will not result in significant change from the status quo.
<b>Additional benefits of the preferred option compared to taking no action</b>			
Landowners developing minor residential units	Saving resource consent costs and time. Greater certainty around ability to develop granny flat due to national policy.	\$1,500 (estimated cost of a resource consent) <sup>31</sup> – note that this is a small portion of the overall costs of a minor residential unit. Time impact – medium (average of 10 weeks to	Medium – consent costs vary across the country so actual savings will depend on where the property is and whether a minor residential unit would need a resource consent under the relevant district plan without this policy. Consent processing times can also vary.

<sup>31</sup> National Monitoring System 2021/22 consent data for minor residential units.

		process a resource consent). <sup>32</sup>	
Councils	Saving resource consent processing costs	Low	Low – we do not have information on how much it costs councils to process a consent, however this cost saving is anticipated to be low as many minor residential units do not require resource consents under current district plans.
Tenants	Potential direct and ongoing savings on rental costs once the supply of minor residential units increases.	Low	Low – it is difficult to quantify potential savings to tenants, however we can assume ongoing weekly rental costs may become more competitive in areas where more minor residential units are built.
<b>Total monetised benefits</b>		\$1,500 approx. per granny flat.	Medium – consent costs vary across the country so actual savings will depend on where the property is and whether a minor residential unit would need a resource consent under the relevant district plan without this policy.
<b>Non-monetised benefits</b>		Medium – landowners may be more likely to build a minor residential unit knowing regulatory barriers are reduced, providing indirect and ongoing benefits to prospective tenants.	Medium – This is based off analysis from the minor residential unit uptake analysis report.

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<sup>32</sup> National Monitoring System 2021/22 consent data for minor residential units.

## Section 3: Delivering an option

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### How will the proposal be implemented?

99. Councils will have to amend district plans if a rule duplicates or conflicts with a provision in the NES. Such a plan change will have immediate effect and will not undergo a public notification and hearing process and cannot be appealed. Councils can retain more lenient standards.
100. Homeowners wishing to build a granny flat on their property will need to check the NES or the relevant district plan (once it has been amended) to see whether their proposed granny flat will meet the standards in the NES, or more enabling standards in the district plan, or whether they need to apply for a resource consent.
101. The Ministry will support announcements to communicate these changes to the public, iwi, hapū and Māori, and councils through formal channels such as press releases and speeches, and informal channels such as emails from the Ministry to key partners and stakeholders. Councils will continue to be responsible for any changes to their plans and how this may affect plan users in their community.
102. There is a risk that people will develop minor residential units that do not meet the permitted activity standards in the NES without applying for a resource consent. With many councils currently permitting minor residential units, this is already a risk, and the NES should not increase it significantly.

### How will the proposal be monitored, evaluated, and reviewed?

103. The NES is one part of the package to enable more minor residential units, with the other part being changes to the building consent system in the Building Act, and associated changes in the Local Government Act 2002 (LGA) and the Plumbers, Gasfitters, and Drainlayers Act 2006 (PGDA). Similar data will be useful in monitoring the effectiveness of both changes to the resource management and building consent systems eg, through Project Information Memorandums (under the LGA), records of work (under the PGDA), and the National Monitoring System (NMS) which MfE administers.
104. The Building Act will require property owners to notify councils prior to and on completion of building minor residential units through applying for a Project Information Memorandum. This should allow information on how many granny flats are being built to be collected.
105. The National Monitoring System data can be used to track the number of minor residential units being given resource consents over time. After the NES is in force, the number of minor residential units requiring resource consent should drop. However, minor residential units are generally permitted activities currently and the reasons some require resource consents may still exist once the NES is in place, for example, minor residential units that require significant earthworks or do not meet one of the standards in the NES.
106. MfE will need to work with MBIE to collect relevant information from councils under both the building and resource management systems.  
Key questions to assess the effectiveness of the NES include:
  - a. How many minor residential units have been built? (before and after NES enactment)
  - b. How many minor residential units required a resource consent? (before and after NES enactment).

## Appendix 2: Existing council permitted activity standards for minor residential units

Council	Tier	Zone	Description	Activity status and relevant minor residential unit standards
Auckland Council	1	Residential (single house zone)	One 'minor dwelling' is allowed per site and must be secondary to the principal dwelling.	Permitted activity Standards: <ul style="list-style-type: none"> <li>- Maximum floor area: 65m<sup>2</sup></li> <li>- Maximum impervious area: 60%</li> <li>- Minimum setbacks<sup>33</sup>: 3m front yards, 1m side/rear yards</li> <li>- Outdoor living space: 5m<sup>2</sup> for studio/one bed, 8m<sup>2</sup> for two or more-bedroom dwelling. Must have at least a 1.8m depth</li> <li>- Maximum height: 8m</li> <li>- Height in relation to boundary: 2.5m and 45 degrees.</li> </ul>
		Rural (rural conservation zone, countryside living zone, rural coastal zone, mixed rural zone, rural production zone)		Restricted discretionary activity Standards: <ul style="list-style-type: none"> <li>- Maximum floor area: 65m<sup>2</sup></li> <li>- Minimum site area: 1 hectare</li> <li>- Minimum setbacks: 10m front yard, 12m side/rear yards</li> <li>- Maximum height: 9m.</li> </ul>
Waikato District Council	1	Residential (general residential zone)	One 'minor residential unit' is allowed per principal unit on a site.	Permitted Standards: <ul style="list-style-type: none"> <li>- Maximum floor area: 70m<sup>2</sup></li> <li>- Minimum site size: 600m<sup>2</sup></li> <li>- Maximum height: 5-10m</li> <li>- Height in relation to boundary: 2.5m and 45 degrees</li> <li>- Maximum building coverage: 35-50%</li> <li>- Maximum impervious surfaces: 70%</li> </ul>

<sup>33</sup> This means general setbacks and not specific setbacks such as setbacks from significant natural areas, transmission lines, the National Grid Yard, coastal areas and other specific matters.

				<ul style="list-style-type: none"> <li>- Minimum outdoor living space: 40m<sup>2</sup> with 4m minimum dimension ground floor, 15m<sup>2</sup> with 2m dimension above ground floor. Must be for the exclusive use of occupants.</li> <li>- Service court: 3m<sup>2</sup> and 1.5m dimension for waste storage, and 5m<sup>2</sup> and 2m dimension for washing line.</li> </ul>
		Rural (general rural zone)		<p>Permitted</p> <p>Standards</p> <ul style="list-style-type: none"> <li>- Maximum floor area: 120m<sup>2</sup></li> <li>- Maximum distance from existing residential unit: 100m</li> <li>- Maximum height: 15m</li> <li>- Height in relation to boundary: 2.5m and 45 degrees</li> <li>- Maximum building coverage: 2% of the site or 500m<sup>2</sup>, or 5,000m<sup>2</sup> for sites larger than 10ha</li> <li>- Minimum setbacks: 7.5m front boundary, 12m from other boundaries</li> <li>- Must share a single driveway access with the existing residential unit.</li> </ul>
Napier City Council	2	Residential (main residential zone)	One 'supplementary unit' is allowed per principal unit on a site.	<p>Permitted</p> <p>Standards</p> <ul style="list-style-type: none"> <li>- Maximum floor area: 80m<sup>2</sup></li> <li>- The unit must consist of a single bedroomed dwelling unit</li> <li>- Maximum height: 6-10m</li> <li>- Height in relation to boundary: 3m and 45 degrees</li> <li>- Minimum setbacks: 3m front yard, 1m side/rear boundaries</li> <li>- Maximum building/site coverage: 50%</li> <li>- Minimum landscaped area: 30%.</li> </ul>
		Rural (rural residential zone)		<p>Permitted</p> <p>Standards:</p> <ul style="list-style-type: none"> <li>- Maximum floor area: 80m<sup>2</sup></li> <li>- Maximum distance from primary dwelling: 25m</li> </ul>

				<ul style="list-style-type: none"> <li>- Must share vehicle access with primary dwelling</li> <li>- Minimum setbacks: 7.5m front yard, 6m side/rear yard</li> <li>- Maximum height: 9m</li> <li>- Maximum building/site coverage: 1000m<sup>2</sup> or 10%.</li> </ul>
Whanganui District Council	3	Residential (general residential zone)	One 'minor residential unit' is allowed per principal unit on a site.	Permitted  Standards: <ul style="list-style-type: none"> <li>- Maximum internal floor area is 60m<sup>2</sup></li> <li>- Maximum height: 10m</li> <li>- Height in relation to boundary: 2m and 45 degrees</li> <li>- Must share vehicle access with principal unit</li> <li>- Maximum building coverage: 40%</li> <li>- Shall not be located in front yards.</li> </ul>
		Rural (general rural zone)		Permitted  Standards: <ul style="list-style-type: none"> <li>- Minimum site size: less than one hectare but at least 5000m<sup>2</sup></li> <li>- Maximum height: 10m</li> <li>- Minimum setbacks: 10m from any boundary</li> <li>- Maximum distance from primary dwelling: 20m.</li> </ul>
Wellington City Council	1	Residential (large lot residential zone)	One 'minor residential unit' is allowed per principal dwelling on a site.	Permitted Standards: <ul style="list-style-type: none"> <li>- Maximum floor area: 80m<sup>2</sup></li> <li>- Maximum site coverage: 35%</li> <li>- Minimum permeable surface: 60%</li> <li>- Minimum setbacks: 5m road setback, 3m side/rear setback</li> <li>- Maximum height: 8m</li> <li>- Height in relation to boundary: 2.5m and 45 degrees.</li> </ul>
		Rural		N/A only one residential building is allowed per site.

Christchurch City Council	1	Residential (residential suburban zone and residential suburban density transition zone)	One 'minor residential unit' is allowed per principal unit on a site.	<p>Permitted</p> <p>Standards:</p> <ul style="list-style-type: none"> <li>- Minimum floor area: 35m<sup>2</sup></li> <li>- Maximum floor area: 80m<sup>2</sup></li> <li>- The granny flat must be detached, and the existing site contains only one residential unit</li> <li>- Minimum outdoor living space: 90m<sup>2</sup> with a 5m dimension for both units, and 30m<sup>2</sup> for granny flat only</li> <li>- Must share vehicle access with principal unit</li> <li>- Maximum height: 5.5m and single storey only</li> <li>- Minimum setbacks: 4.5m road boundary, 1m internal boundary</li> <li>- Height in relation to boundary: 2.3m from internal boundary.</li> </ul>
		Rural (rural Banks Peninsula zone)		<p>Permitted</p> <p>Standards:</p> <ul style="list-style-type: none"> <li>- Minimum floor area: 35m<sup>2</sup></li> <li>- Maximum floor area: 70m<sup>2</sup></li> <li>- Must share vehicle access with principal unit</li> <li>- Maximum height: 7.5m</li> <li>- Minimum setbacks: 15m from road boundary, 25m from internal boundaries</li> <li>- Maximum site coverage: 10% or 2000m<sup>2</sup>.</li> </ul>
Dunedin City Council	2	Residential (general residential 1 zone)	One 'ancillary residential unit' is allowed per principal unit on a site.	<p>Permitted</p> <p>Standards:</p> <ul style="list-style-type: none"> <li>- Maximum internal floor area: 60m<sup>2</sup></li> <li>- Maximum development potential: 1 habitable room per 100m<sup>2</sup></li> <li>- Minimum setbacks: 4.5m road, 2m side/rear</li> <li>- Minimum outdoor space: 25m<sup>2</sup></li> <li>- Maximum height: 3m from ground level to bottom of eaves</li> </ul>



				<ul style="list-style-type: none"> <li>- Height in relation to boundary: 2.5m and 45 degrees.</li> </ul>
		Rural (rural residential zone)	One 'family flat' per principal unit on a site.	<p>Permitted</p> <p>Standards:</p> <ul style="list-style-type: none"> <li>- Maximum floor area: 60m<sup>2</sup></li> <li>- Must be occupied by a person or persons related to or dependent on the household that lives in the primary residential unit or employed on-site</li> <li>- Must be on the same water and infrastructure connection, or the same wastewater disposal system as the primary residential unit</li> <li>- Must be on the same household electricity account</li> <li>- Must share vehicle access</li> <li>- Maximum distance from primary dwelling: 30m</li> <li>- Maximum height: 10m</li> <li>- Minimum setbacks: 12m road boundary, 10m side/rear boundary.</li> </ul>