

Coversheet: National Policy Statement- Urban Development

Advising agencies	<i>Ministry for the Environment (MfE) and Ministry of Housing and Urban Development (HUD)</i>
Decision sought	<i>Consult on proposed requirements in a national policy statement on urban development</i>
Proposing Ministers	<i>Hon Phil Twyford, Minister of Housing and Urban Development Hon David Parker, Minister for the Environment</i>

Summary: Problem and Proposed Approach

Problem Definition

What problem or opportunity does this proposal seek to address? Why is Government intervention required?

The planning system is not adequately responding to the challenges of urban growth and development to support well-functioning cities. It is constraining the benefits of urban development, contributing to high housing costs and limiting housing choice and peoples' access to areas of amenity that are close to jobs and services.

National direction can shape local government resource management planning and regulation to better achieve the benefits of urban development.

Proposed Approach

How will Government intervention work to bring about the desired change? How is this the best option?

MfE and HUD officials recommend a new national policy statement on urban development under the Resource Management Act (RMA) requiring local authorities to make better planning decisions for large and high growth urban areas.

We recommend consulting on proposed content for a National Policy Statement on Urban Development (NPS-UD) that amends and adds to the existing National Policy Statement on Urban Development Capacity (NPS-UDC). The proposed new content of the NPS-UD and how it builds on the existing NPS-UDC is summarised in Figure 1.

Figure 1: proposed national policy statement on urban

NPS URBAN DEVELOPMENT

Future development strategy

NPS-UDC requires local authorities to produce a future development strategy to ensure there will be sufficient development capacity in the long term.

New direction would:

- **require future development strategies to contribute to a quality urban environment**
- **require local authorities to have regard to future development strategies through their RMA plans, and encourage them to use future development strategies to inform long term plans and infrastructure strategies.**

Making room for growth

NPS-UDC requires decision-makers to provide for the social, economic, environmental and cultural wellbeing of communities and future generations, and to take into account the national and regional benefits and costs of urban development.

New direction describes quality urban environment features that decisions shall contribute to.

NPS-UDC requires RMA plans to provide sufficient development capacity.

New direction would:

- **require plans to enable intensification in beneficial locations**
- **enable further greenfield development**

Evidence for decision-making

NPS-UDC requires local authorities to monitor market indicators and prepare housing and business development capacity assessments to inform planning decisions.

Amendments would require councils to modify their assessment of development capacity to factor in the proportion of capacity that is not likely to be taken up.

Processes for engaging on

NPS-UDC requires local authorities to coordinate with each other in preparing evidence and future development strategies.

Amendments require working with providers of infrastructure, and engaging with iwi and hapu to identify issues of concern for the urban environment

The new and amended direction would:

Broaden the scope of the existing NPS to direct local authorities to:

- contribute to quality urban environments which enable all people, communities and future generations to provide for their social, economic, cultural and environmental well-being
- provide for development in both existing and future urban areas so that it contributes to quality urban environments
- allow intensification especially in locations where this would be most beneficial
- provide for greenfield development out of planned sequence or in areas not previously identified for urban development when certain criteria could be met
- undertake and implement through RMA plans strategic planning that prepares for medium- and long-term growth, can coordinate land use planning and infrastructure and between different layers of government, and provides a vehicle for community consultation about future development.

Amend existing NPS-UDC policies to strengthen effectiveness in achieving original objectives:

- methods for estimating how much residential development capacity to provide in RMA plans
- re-target the most challenging requirements to six 'major urban centres' where the intervention would have the greatest net benefits.

Provide direction to local authorities to work closely with Māori to:

- understand their resource management issues of concern in urban environments and reflect these in plans
- enable the development aspirations of iwi, hapū and whānau in urban areas

This proposal will direct local government planning to be more enabling of growth through their planning processes and plans, providing strong direction to enable opportunities for intensification in and around centres and ensure that development both up and out contributes to quality urban environments. The proposal would target the most challenging policies to the urban environments that will most benefit.

Section B: Summary Impacts: Benefits and costs

Who are the main expected beneficiaries and what is the nature of the expected benefit?

The key beneficiaries would be:

a) In Auckland, Hamilton, Tauranga, Wellington, Christchurch and Queenstown where over 60% of New Zealanders live:

- Current and future residents – especially middle-low income households that rent, including young people and Maori. These people would be able to access a better choice of and more affordable homes close to jobs and services as a result of better integration between land use and transport, and an increased supply of housing. This would also support better health and educational outcomes for these households, and use less land and fossil fuels

- Services businesses, which would have better access to labour markets and consumers located in more intensely developed locations around centres
 - Developers which would have more development opportunities, overall and in high demand locations and for a wider range of typologies
 - Local authorities which will as a result of collaborative strategic planning have a stronger basis for their regulatory planning and be better able to minimise the infrastructure costs associated with supporting growth.
- b) 15 local authorities in smaller urban centres which would no longer have to resource requirements under the current NPS-UDC to prepare full housing and business development capacity assessments with prescribed content, methods and timeframes, though they would be encouraged to so.

Where do the costs fall?

The key costs will fall on:

- a) The 20 councils and their ratepayers that undertake planning for the Auckland and greater Hamilton, Tauranga, Wellington, Christchurch and Queenstown urban environments, which will need to prepare housing and business development capacity assessments and future development strategies
- b) Central government, which will need to prepare new guidance, engage with councils and monitor their compliance
- c) Some home owners in intensification areas may lose amenity as a result of the development in the short term.

What are the likely risks and unintended impacts, how significant are they and how will they be minimised or mitigated?

As common with all pieces of national direction, the risks of the proposal are:

- The policies aren't sufficiently directive, councils don't implement them as intended and government cannot monitor their effect. This is a significant risk for the objectives and outcome policies which seek to influence the decisions of local elected members who face opposing political incentives. Ongoing central government engagement throughout implementation would help mitigate this risk
- The policies are directive, but local authorities oppose the policies and refuse to implement them. This is a risk for the evidence and intensification policies. It may be addressed through the consultation process which will help shape the policies and develop buy-in. However, it may also require government to implement a compliance regime once the national direction is operative
- The policies are worded ambiguously, and councils incur unnecessary expenditure on legal advice to interpret them. This could be partly addressed by seeking specific feedback on the wording of the proposed NPS in the consultation process
- The policies are implemented as worded but don't have the effect we thought they would. For example, the method we specify for calculating development capacity

might understate how much capacity is needed; or the locations we specify for intensification may not be where people want to live. This is best addressed through consultation including a targeted engagement with technical experts on the evidence policies.

Identify any significant incompatibility with the Government’s ‘Expectations for the design of regulatory systems’.

There are two expectations that this proposal may be incompatible with:

1. That the preferred option achieves its objectives “*with the least adverse impact on...individual autonomy*”. The proposal would intentionally constrain the decision-making autonomy of local authorities.
2. The preferred option “*has processes that produce predictable and consistent outcomes for regulated parties across time and place*”. The proposal intentionally requires local authority planning to be more responsive to changes in markets that are not necessarily predictable or consistent over time and place.

Section C: Evidence certainty and quality assurance

Agency rating of evidence certainty?

Appendix 2 lists the sources of evidence referred to in this RIS. It includes the results of several comprehensive reviews of the New Zealand planning system undertaken over the last decade, and the cost benefit analysis of the original NPS-UDC. The problem definition also draws on an internal review of the NPS-UDC’s first two years of implementation, BECA research about regulatory constraints to intensification and recent housing market data for New Zealand cities.

We are confident about the evidence, but it does not quantify the impacts of all aspects of the proposal. The evidence underpinning the policies to increase development capacity and intensification draws on cost benefit analyses undertaken for Auckland, Sydney and US cities (summarised in Appendix 1) but not other New Zealand cities. We have not been able to quantify the benefits of spatial planning that has more force.

Additional direction to increase the scope of the proposals to include policies on further greenfield development has not been sufficiently evidenced to understand their impact and has not been assessed through this RIS. However, there is a need for clearer frameworks and quality expectations for greenfield development, as failures in specific areas increasingly come under scrutiny, for example through interactions between urban development and highly productive land.

We will augment this evidence using feedback during consultation on the proposal. We will also undertake an RMA Section 32 and cost and benefit analysis of the proposal, incorporating a cost benefit analysis, before finalising it. This will be provided to Cabinet alongside the final RIS post-consultation.

Quality Assurance Reviewing Agency:
MFE and HUD
Quality Assurance Assessment:
The RIA is assessed as partially meeting the requirements of an assessment on the basis that it will be revised and amended once it has been consulted on.
Reviewer Comments and Recommendations:
References in the RIA to other regulatory options (e.g. to also have a national environment standard) appear to be based on whether there is sufficient resource or funding to develop these options rather than whether they represent feasible or desirable regulatory option. The consultation process will need to involve deliberate objectives and actions so that a more considered assessment of the costs/benefits, a core component of the RIA, can be made.

Impact Statement: National Policy Statement for Urban Development

Section 1: General information

Purpose
<p>The Ministry for the Environment and the Ministry of Housing and Urban Development are solely responsible for the analysis and advice set out in this Regulatory Impact Statement, except as otherwise explicitly indicated. This analysis and advice has been produced for the purpose of informing:</p> <ul style="list-style-type: none"> • Key policy decisions to be taken by Cabinet • Stakeholders to be consulted on a government discussion document outlining proposed content for a national policy statement on urban development
Key Limitations or Constraints on Analysis
<p>This RIS evaluates amendments and additions to the existing national policy statement of urban development capacity (NPS-UDC). The cost benefit analysis and RIS undertaken for the NPS-UDC in 2016 is not re-evaluated here.</p> <p>The problem defined in this RIS has been scoped to focus on the effect of Resource Management Act planning decisions on the development of successful cities.</p> <p>The range of options for addressing it are limited to national direction under the Resource Management Act. Complementary policy work is being undertaken on other options to address broader problems, as part of the Government’s Urban Growth Agenda and related programmes.</p>

The RIS focuses on the content of a proposed national policy statement on urban development (NPS-UD). An NPS will have the largest impact on the problems identified as it shapes the local government regulatory system. We recommend that to more fully address the problem statement, the national policy statement could be supported with later development of additional national direction tools such as a National Environmental Standard or a National Planning Standard if resources are available and if implementation of the current proposals identifies the capacity and need. Some of the problems identified however will only be addressed through wider system (both resource management and housing/urban development) change.

Further direction was provided at a late stage to broaden the scope of the proposed content for the NPS-UD to also include direction on greenfield development as well as intensification. These additions have not been analysed through a regulatory impact analysis process and are not reflected explicitly in the problem definition, options identification and analysis or recommendation. However, we consider that it is appropriate to think about in the broader context of an urban development NPS that aims to promote quality outcomes- particularly given the interactions between urban development and other national direction being consulted on in a similar timeframe (eg, highly productive land, fresh water management and indigenous biodiversity).

With the exception of the greenfield policy proposal, there is plenty of evidence for the problem, causes and consequences including the scale and distribution of these.

The RIS provides a mostly qualitative assessment of options to address the problem, including information about costs where this is available. The assessment draws on quantitative Auckland-based and international cost-benefit analyses which indicate the likely costs and benefits of intensification policies in New Zealand's cities.

A key assumption in this RIS is that local authorities would implement the proposed NPS-UD as intended. However, we do assess the risk that this does not happen and note key supporting actions that would help mitigate this risk.

This is a pre-consultation RIS. We are seeking feedback on the content of the proposals in a discussion document and testing some of the options with technical experts alongside the consultation. We will also be seeking explicit feedback on the greenfield development policy to better understand its impacts. Post consultation a cost-benefit analysis as required under section 32 of the RMA will be undertaken on final recommendations to support analysis for Ministerial consideration.

Responsible Manager (signature and date):



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23 July 2019



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23 July 2019

Section 2: Problem definition and objectives

2.1 What is the context within which action is proposed?

Urban environments are important for New Zealand's wellbeing

Most New Zealanders live in urban environments, with 86 percent in “urban areas”¹ and over 60 percent in Auckland and the greater Wellington, Christchurch, Hamilton and Tauranga urban conurbations. These places produce most of New Zealand's economic output and are also where most future population and economic growth is projected to be. Close to 70 per cent of employment in knowledge-intensive services is in our three largest cities (Auckland, Wellington and Christchurch)².

Well-functioning cities maximise benefits and minimise negative impacts

The volume and proximity of people and activities, and the constant change in cities can make a range of social economic and environmental benefits possible³:

- people can have access to a choice of jobs and good living standards; opportunities for social connection; high quality and diverse services and facilities; and homes that meet their demands
- businesses can benefit from the higher productivity associated with economies of scale; access to many consumers, suppliers, skilled labour; and sources of innovation
- growth can be accommodated using much less land and fossil fuels and with less impact on natural environments than by dispersing that growth at low densities.

When urban environments function well, they provide a range of benefits for their residents, the economy and the environment. However, when they do not function well, their scale and proximity can magnify potential negative impacts of urban growth, including congestion, air and water pollution and loss of valued natural features, and unaffordable house prices. These can undermine the benefits of living in urban environments and result in people migrating to less productive places⁴.

Global factors, the efficiency of local markets, and the actions of central and local government all interact to affect urban performance. While our cities are relatively small and distant in world terms, international flows of people significantly add to their growth.

New Zealand cities are struggling to cope with growth

Immigration has accelerated New Zealand's population growth in recent years, especially in cities such as Auckland, Hamilton, Tauranga and Queenstown. The Auckland region is

¹ This is a geographic definition used by Statistics New Zealand, comprising cities, towns and other conurbations (an aggregation of urban settlements) of a thousand people or more.

² [New Zealand Productivity Commission \(2017\) *Better urban planning: Final report*](#), p81

³ MRCagney, *The costs and benefits of urban development* (MfE, 2019)

⁴ MRCagney, *The costs and benefits of urban development* (MfE, 2019)

projected to account for more than half New Zealand's population growth between 2013 and 2043, with an increase of 833,000 – from just under 1.5 million to over 2.3 million.⁵

Our cities are struggling to keep up with their growth, such that its costs are more evident than its benefits. The most obvious symptom of this the rapid decline in urban housing affordability with demand for new homes outstripping supply. Land and house prices have increased much faster than incomes in our major cities and are skewed to the top end of the market. The pressure to develop greenfield areas exceeds investment in infrastructure and services.

Our urban environments are not working as well as they should, resulting in:

- *Rising inequality.* Unaffordable housing is widening the distribution of wealth between those who own a home and an increasingly large group of people who probably never will (middle-low income households, especially Maori and young families, and future generations). These people are more susceptible to poor health associated with rental housing and are shut out of access to areas of amenity close to jobs and services
- *Productivity losses to cities and New Zealand* as the high cost of housing reduces available capital for investment in other parts of the economy, and skilled people leave cities to buy cheaper housing
- *Negative environmental impacts.* The pattern of urban development has relied on extensive use of land and car-based travel generating carbon emissions
- *Infrastructure costs.* Auckland Council and Hamilton and Tauranga City Councils are close to the debt caps set in the LGA and cannot finance all the infrastructure required to support future growth
- *Opportunity cost* as cities are not reaping the benefits of agglomeration.

Urban performance depends on efficient land, infrastructure, development and construction markets

Urban development, which is the process of creating and reshaping urban places to respond to growth, is the result of a chain of inputs that can be grouped into four markets:

1. The land market
2. Infrastructure market (including the three waters, transport, and energy networks that enable land to be urbanised)
3. Development market (the overall provision of urban areas, including land subdivision, preparation and master planning)
4. Construction market (including building materials and the process of building improvements on land).

All four markets affect the efficiency of urban development, and its ability to achieve well-functioning urban environments.

⁵ [StatsNZ Population Projections Overview \(2017\)](#)

The role of central and local government

The key actors in these markets include central and local government, iwi, land owners, developers, infrastructure providers, building product providers, building and construction firms, community housing providers, real estate agents, home owners and renters. More broadly, people, communities and future generations all have a stake in urban development.

Central and local government decisions about urban development have long lived and sometimes irreversible impacts⁶.

Central government sets the scene for urban development through the Building Act, tax policy, employment legislation, Local Government Act 2002 (LGA), Resource Management Act 1991 (RMA), Land Transport Management Act 2003 (LTMA), and its investment in transport, health and educational facilities and public housing.

Local government (ie, regional councils, territorial authorities and unitary authorities) contribute to local place-shaping in carrying out their multiple roles of managing effects of activities on the environment (including the regulation of land use under the RMA) and providing infrastructure such as water and transport.

Interventions proposed in this RIS target local authorities' role in city shaping using their respective environmental and landuse management responsibilities under the RMA (in particular impacting the land market and the development market) and seeks to influence the infrastructure market.

2.2 What regulatory system, or systems, are already in place?

The regulatory system governing urban development is complex and includes the legislative framework provided by the RMA, LGA and the LTMA⁷. Local authorities and their council-controlled organisations work under this framework to enable urban development (and deliver other responsibilities).

Planning under the RMA

The purpose of the RMA (Section 5) is to promote the sustainable management of natural and physical resources. The RMA prescribes a devolved planning system, in which local authorities make most of the decisions and have the ability to tailor their individual plans to their particular circumstances and community, and to ultimately promote sustainable management. These plans set out the requirements that development must meet to gain resource consent or be exempt to consenting requirements, and those requirements may be generally permissive or restrictive of development.

However, these local planning decisions are made within a hierarchy which includes:

- *National direction on matters of national significance* that directs how local authorities should administer and apply the RMA. This includes national policy statements, national

⁶ MfE's *Building competitive cities – reforming urban and infrastructure planning: a discussion document* (2010), and the NZ Productivity Commission's inquiries into *Using Land for Housing* (2012) and *Better Urban Planning* (2015).

⁷ Key central government agencies administering this legislation or with a particular interest include: the Ministry for the Environment, Department of Internal Affairs, Ministry of Transport and NZ Transport Agency, the Ministry of Housing and Urban Development and Housing and Urban Development Authority.

environmental standards, national planning standards and section 360 regulations. The government has some discretion on how and on what specific matters to intervene, and to date has issued national policy statements on freshwater management, coastal policy, renewable electricity generation, electricity transmission and urban development capacity

- *Regional Policy Statements and Regional Plans*, which provide an overview of the resource management issues of the region and policies and methods to achieve integrated management of the natural and physical resources of the region
- *District Plans*, which include policies and regulations manage the land use effects associated with urban development activities.

Depending on the scale, location and effects of proposed urban development activity, resource consent approval may be required under any relevant regional plan/s and district plan/s.

Past reviews have identified problems with the planning system

Over the past decade Government has undertaken or commissioned several reviews of the planning system⁸. These have identified aspects of the regulatory system and particularly those under RMA as not fit for purpose for urban environments. Systemic weaknesses in the urban planning system include:

- poor alignment between the planning processes required under the three main Acts, which results in complexity, inefficiency and constraints to integrating land use and infrastructure
- inadequate attention to the national and broader public interest, due to devolved local decision making, poor participation of some groups in consultation, and lack of government involvement
- insufficient recognition of the needs of cities and housing, with planning regulations that overly constrain development contributing to higher land costs and larger, more expensive homes.

The National Policy Statement on Urban Development Capacity (NPS-UDC) was introduced to address some of these problems

The NPS-UDC was introduced at the end of 2016 to address some of the problems identified with local urban planning. The problem statement for the NPS-UDC⁹ identified:

Existing RMA land use planning practices appear to respond poorly to the opportunities and challenges arising from urban development. In particular, planning policies can constrain development capacity and limit the ability of the market to meet demands in growing cities. This results in a limited supply of housing and rising property prices, as well as some localised problems meeting demands for business space.”

⁸ For example, see MfE’s *Building competitive cities – reforming urban and infrastructure planning: a discussion document* (2010), and the NZ Productivity Commission’s inquiries into *Using Land for Housing* (2012) and *Better Urban Planning* (2015) and an MfE commissioned report in 2018 from Beca on *Enabling Growth-Urban Zones Research*

⁹ MfE and MBIE regulatory impact statement for the NPS-UDC, p. 4
<http://www.mfe.govt.nz/sites/default/files/media/Legislation/RIS/regulatory-impact-statement-nps-on-udc.pdf>

Regulatory failures that contribute to this overarching problem included:

- *Resource management planning policies and processes do not respond quickly to market changes, especially shocks in demand*
- *Decisions are informed by inadequate evidence about demand for residential and business land, or the market-feasible development capacity enabled by plans*
- *Existing policies and rules are inefficient, or not adequate compared to non-regulatory options*
- *Coordination failures between local authorities and between land use and infrastructure planning*
- *Planning practices that place priority on some effects over others (eg, weighting current interest over future interests, or local effects over regional/national effects).*

To address some of these problems, the NPS-UDC requires councils to provide, in their RMA plans and supported by infrastructure, “sufficient development capacity” (up and out) to meet demands for housing and business land. Its objective is to remove planning constraints to the supply of housing and business land and therefore bring down costs and prices. The NPS-UDC requires local authorities planning for growing urban areas to work together to:

- improve their evidence base about demand, supply and prices for housing and business land, and respond to this. As part of this, high growth local authorities had to prepare housing and business development capacity assessments by 31 December 2017 and medium growth local authorities by 31 December 2018
- prepare 30-year future development strategies providing certainty that there will be sufficient development capacity in the long term, and identifying where this will be
- put minimum targets for sufficient development capacity in their RMA plans and give effect to these with plan changes.

Additional reforms are now being pursued through the Government’s Urban Growth Agenda

The primary objective of the Urban Growth Agenda is to improve housing affordability, underpinned by affordable urban land.

This is supported by wider objectives to:

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

The Urban Growth Agenda includes targeted interventions across the land and infrastructure markets organised around 5 pillars:

1. Legislative Reform
2. Infrastructure funding and financing

3. Transport Pricing
4. Spatial Planning (Government participation in specific spatial planning processes)
5. Urban Planning

The proposed interventions in this RIS fall under the Urban Planning pillar and targets local authority decisions on land-use regulation under the RMA. It also seeks to influence decisions relating to infrastructure under the LGA and LTMA.

Interactions with other existing and proposed National Direction

There are a range of national direction instruments already in place (such as the New Zealand Coastal Policy Statement, NPS on Renewable Energy Generation, National Environmental Standard (NES) on electricity transmission) and new or amended national direction proposed for consultation over a similar time period (including amendments to the NPS for Freshwater Management and an accompanying NES, and the NES for Air Quality; a NPS for Highly Productive Land, and Indigenous Biodiversity).

Each of the National direction instruments is intended to be mutually supportive and to collectively enable good decision-making. However, at the local level when implementing these instruments there will be tensions between different environmental priorities for a given area that will need to be resolved in district and regional plans.

A future review of the resource management system is about to begin

Government has agreed to the scope and process for a comprehensive review of the resource management system, focused on the Resource Management Act [subject to Cabinet approval in June]. The scope of the review is being tested with a targeted group of key stakeholders, including Māori. A panel of experts will lead the review, from September 2019 to June 2020. The aim of the review is to improve intergenerational wellbeing by strengthening environmental protection and better enabling urban development outcomes within environmental limits. This review of the RMA will conclude with a proposal for resource management reform, including some indicative legislative drafting, to consult with the public.

The interventions proposed in this RIS, while functioning under the existing system, will inform thinking and content of any proposed comprehensive reform.

2.3 What is the policy problem or opportunity?

Despite interventions like the NPS-UDC, the planning system is not adequately responding to the challenges of urban growth and development to support well-functioning cities. We have identified three problems or opportunities:

1. The existing NPS-UDC is too narrowly focused (on the quantity of development capacity provided in RMA plans) to address the wider planning problems identified in past reviews and support well-functioning cities
2. Implementation of the NPS-UDC has shown that it is not achieving its original objectives to the extent expected
3. There is an opportunity to improve practices to reflect Te Tiriti o Waitangi in urban planning.

The existing NPS-UDC is too narrow to address wider planning problems and support successful cities

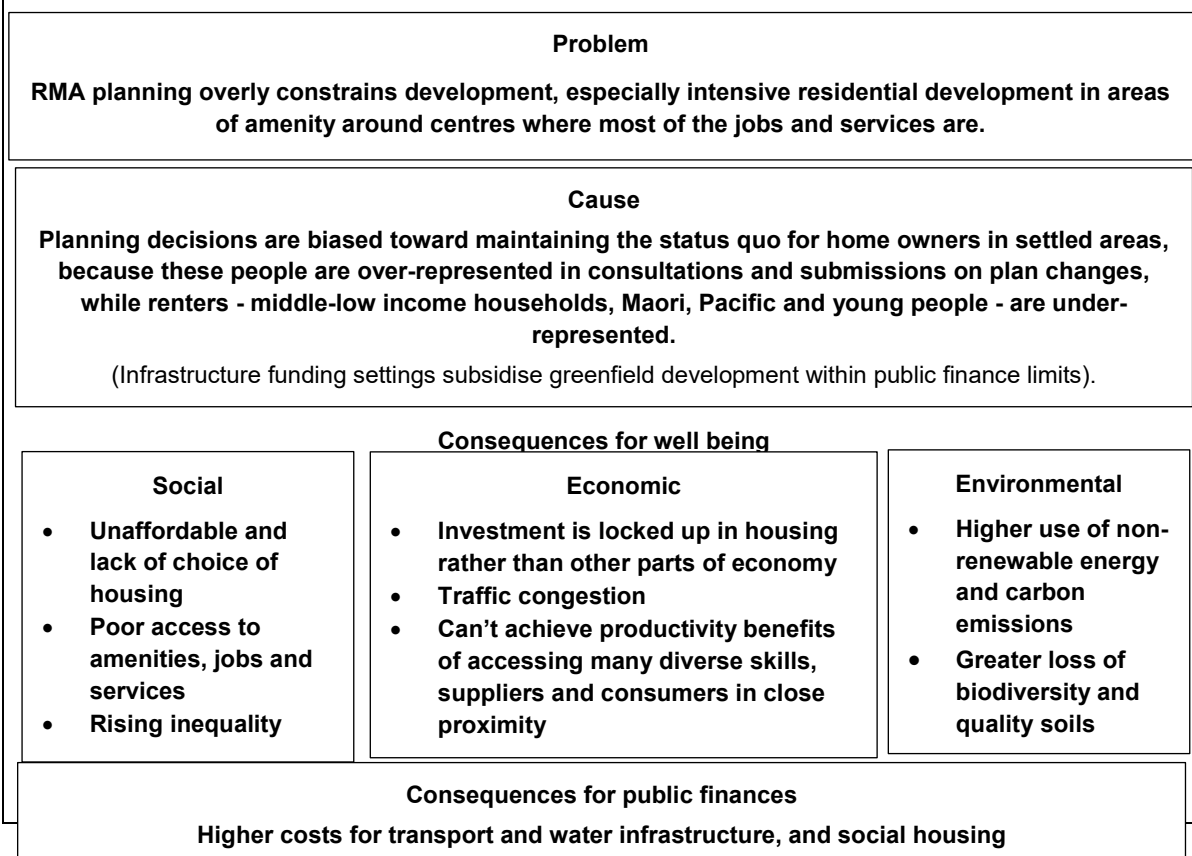
Submissions on the NPS-UDC criticised it for being too narrow. There are two parts to this problem. First, the NPS-UDC focuses on the quantity of development capacity and provides no specific direction about the *quality* of urban environments. Second, the NPS-UDC focuses on RMA plans and provides no specific direction about their relationship to *strategic planning*, missing an opportunity to address coordination problems in the planning system and improve its outcomes.

Providing for quality

Quality refers to how well the urban environment functions to achieve the benefits of cities and meet the needs of the people that live there. In relation to development capacity, quality refers to enabling development in the best locations and of types that meet current and future community needs, maximising the wider benefits of cities for New Zealand. It is unlikely that councils will be able to contain all growth within an existing urban environment so an important element is how to ensure that greenfield development is managed in the best way possible to help deliver the quality outcomes sought.

The problem is that RMA regulations overly constrain more development, especially intensive residential development in the best locations, often because of opposition from existing homeowners¹⁰. This reduces social, economic and environmental well being and increases public financial costs. This is illustrated in Figure 2.

Figure 2: Quality urban environments problem definition



¹⁰ RMA regulations also appropriately constrain development (both up and out) to control environmental impacts. RMA constraints used to control infrastructure costs may be less justifiable. Government is addressing the underlying causes of this (funding and financing settings) in separate urban growth agenda work.

Evidence of this problem includes:

- Research undertaken by BECA for MfE finds significant regulatory constraints on development in New Zealand cities, especially of apartments and townhouses in high demand locations in existing urban areas¹¹
- Auckland Council's Chief Economist found that the Auckland Unitary Plan added capacity for 1 million more dwellings, but almost none was added to the areas around the CBD proximate to 14 percent of Auckland's jobs and many amenities and services¹²
- The NZ Productivity Commission explained that such constraints are caused by a "democratic deficit", where devolved decision making and limited participation of particular groups in consultation processes results in a bias toward the status quo and local propertied interests. Research by Local Government New Zealand, Auckland Council and Radio NZ backs this up¹³
- BECA's research is the latest in a series of reports suggesting that the regulatory constraints on development place upward pressure on land and house prices and rents, contributing to amongst the most unaffordable housing in the OECD¹⁴
- The Ministry of Social Development identifies housing unaffordability as the main driver of inequality in our cities, elevating the wealth of existing property owners at the expense of those who wish to buy homes¹⁵. A stocktake commissioned by the Minister of Housing highlighted those most affected as middle-low income households, renters, Maori and young people. It also highlighted poor health associated with inadequate or overcrowded housing, high social housing costs for Government, and locking up investment (in houses) that could otherwise be used in other parts of the economy¹⁶
- BRANZ research shows that home ownership is increasingly out of reach for professionals in cities¹⁷, while Auckland Council identifies that teachers, police and nurses are moving to places with cheaper homes¹⁸
- Cost benefit analyses of different development paths in Auckland, Sydney and US cities (summarised in Appendix 1) find that relying on greenfield development rather than intensification threatens biodiversity and quality soils, requires water and road networks to be extended, and increases carbon emissions.

¹¹ BECA, *Enabling Growth – Urban Zones Research: Key Observations, Findings and Recommendations* (MfE, 2018)

¹² *The Challenge of developing in desirable locations* (Auckland Council Chief Economist Unit, November 2018).

¹³ *Using Land for Housing* (NZ Productivity Commission, 2015), Local Government NZ statistics for the 2016 local authority elections, Radio NZ's 2019 "White Noise" investigation and Auckland Council Long Term Plan submission data.

¹⁴ BECA, *IBID*

¹⁵ Perry B, *The material wellbeing of New Zealand households: overview and key findings* (MSD, 2018)

¹⁶ Johnson A, Howden-Chapman P and Eaquad S, *A stocktake of New Zealand's housing* (commissioned by the Minister of Housing and Urban Development, 2018)

¹⁷ Mitchell I, *Can work, cannot afford to buy: the intermediate housing market* (BRANZ, 2015)

¹⁸ Tuatagaloa P, *Affordability of housing in Auckland – Who Will Teach Our Children?* (Auckland Council, 2017)

Future development strategy

The NPS-UDC requires local authorities to produce a future development strategy that demonstrates that there will be sufficient opportunities for development in the future.

However, the NPS-UDC does not fully recognise the strategic role of this future development strategy or provide any direction about its relationship to RMA plans or other plans. The NPS-UDC misses the opportunity to require future development strategies to plan for quality future urban environments by identifying how and where homes, jobs and amenities are located to best achieve the benefits of growth. The NPS-UDC also increases the number of plans in the system while missing the opportunity to better integrate them and address the coordination failures identified by previous reviews.

Weak strategic processes are contributing to low productivity, traffic congestion, insufficient protection of strategic infrastructure corridors and uncertainty about protection of 'no-go' areas¹⁹.

Implementation of the NPS-UDC shows it is not achieving its objectives as well as expected

MfE and the Ministry of Housing and Urban Development (HUD) have undertaken an assessment of implementation of the NPS-UDC over the last two years. Key issues identified include that:

- the method for calculating "sufficient" development capacity appears to significantly understate how much additional capacity would be required to bring land prices down and fails to provide an evidential basis for changes to planning intended by the NPS-UDC. This is a significant risk to the effectiveness of the original instrument
- the way NPS-UDC policies are targeted to different local authorities has created uncertainty and costs for small councils²⁰ and depends on a definition of "urban areas" that Statistics NZ is discontinuing.

There is an opportunity to improve practices to better reflect Te Tiriti o Waitangi in urban planning

There are barriers to Māori being involved in local government urban planning processes and being able to see their values and aspirations reflected in urban environments. Barriers include²¹:

- poor engagement with Māori that do not whakapapa to the rohe and urban area they now live in
- lack of local government consultation with Māori in the early phases of plan development
- fragile relationships leading to local authorities having a poor understanding of Māori values and interests in urban environments.

¹⁹ NZ Productivity Commission's inquiry into *Better Urban Planning* (2015)

²⁰ Targeting is based on Statistics NZ's population growth projections; when these were updated it triggered a requirement that areas such as Gisborne, Rotorua and Marlborough had to produce housing and business development capacity assessments that cost between \$150,000 to \$500,000 per urban area.

²¹ Māori Planning Futures: Review of Productivity Commission's "Better Urban Planning" Draft Report (August 2016), Ngā Aho and Papa Pounamu, Te Marino Lenihan, Jacky Bartley, edited Bidy Livesey. October 2016. P 7

The recommended proposal

This RIS assesses a proposal for a new national direction instrument: A National Policy Statement on Urban Development (NPS-UD) to address the problems outlined above. It would build on (and replace) the existing NPS-UDC as follows:

Broaden the scope of the NPS-UD to direct local authorities to:

- contribute to quality urban environments which enable all people, communities and future generations to provide for their social, economic, cultural and environmental well-being
- allow intensification especially in locations where this would be most beneficial
- give effect to strategic planning that prepares for medium- and long-term growth both 'up and out', can coordinate land use planning and infrastructure and between different layers of government, and provides a vehicle for community consultation about future development.

Amend existing NPS-UDC policies to strengthen effectiveness in achieving original objectives:

- methods for estimating how much residential development capacity RMA plans should provide
- re-target the most challenging requirements to six 'major urban centres' where the intervention would have the greatest net benefits.

Provide direction to local authorities to work closely with Māori to:

- understand their values and interests in urban environments and reflect these in policy and plans
- enable the development aspirations of iwi, hapū and whānau in urban areas

The proposals in this RIS will be publicly consulted on for an 8-week period, after which the RIS will be updated to reflect greater understanding of impacts and any policy amendments in response to feedback.

2.4 Are there any constraints on the scope for decision making?

The scope of this proposal is confined to national direction under the RMA to improve local urban planning for successful cities. This scope has been set by officials and Ministers leading the Urban Growth Agenda, so as to complement other policy work, including:

- Legislative reform
- Infrastructure funding and financing
- Transport pricing
- Government participation in local spatial planning
- The Housing and Urban Development Authority
- Work to improve the productivity of the construction and building sectors to produce more affordable homes including through intensification.

This proposal would be an early step prior to legislative reform, and its content could be carried through into that reform.

The proposal should complement the Government's Policy Statement on Transport.

It should also complement other national direction being amended or prepared under the RMA, including national policy statements on Freshwater, Highly Productive Land and Indigenous Biodiversity. Local authorities must give effect to all national direction, with none taking priority over others. Local authorities are best placed to decide how to do this with their planning decisions, including making trade-offs to achieve the best outcomes in urban environments.

2.5 What do stakeholders think?

This is a pre-consultation proposal which will be refined following consultation.

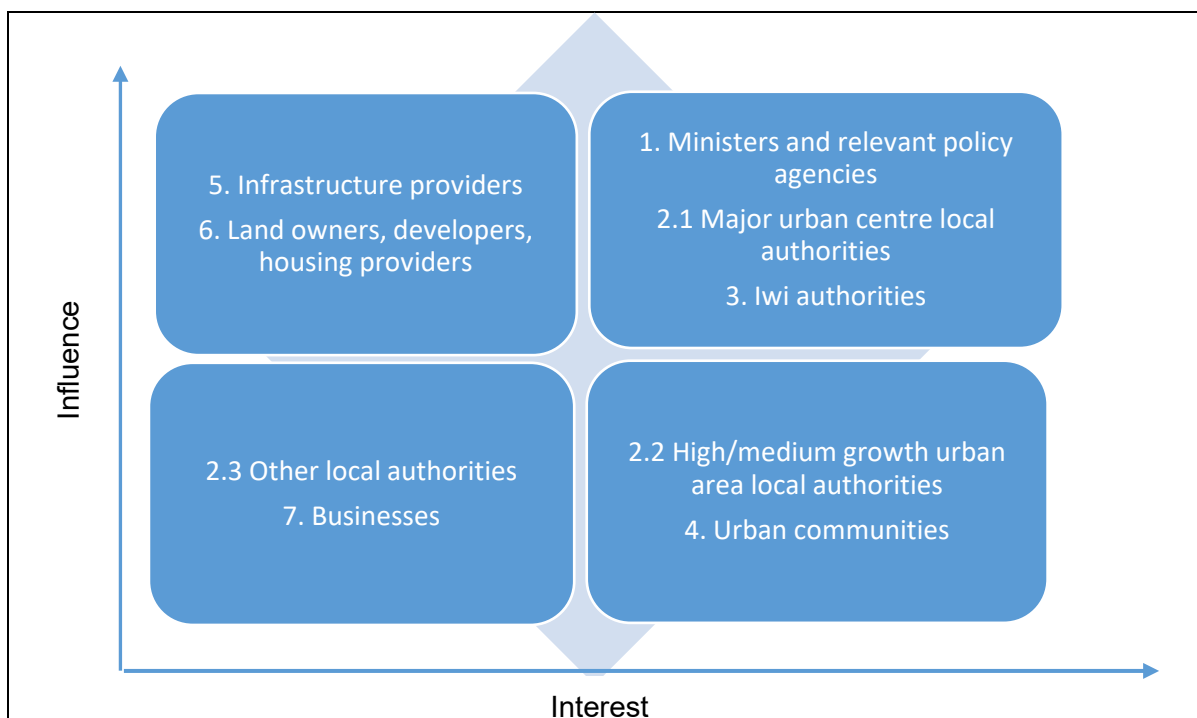
Who are the stakeholders?

The proposal aims to benefit New Zealand as a whole, contributing to higher national productivity, social inclusion and reduced environmental impact. However, we have identified seven groups of stakeholders (and sub-groups) with different interests:

1. Relevant Ministers and Government policy agencies
2. Local authorities:
 - 2.1 In major urban centres, which most of the proposal is targeted at
 - 2.2 Other high and medium growth urban areas as defined by the NPS-UDC
 - 2.3 Other local authorities
3. Iwi authorities
4. Urban communities (including future generations)
5. Infrastructure providers
6. Land owners, developers and housing providers
7. Businesses

Figure 3 shows the extent to which these stakeholders would be affected by the proposal and/or could influence its outcomes.

Figure 3: Stakeholders and their interest and influence



1. Relevant Ministers and Government policy agencies

The Minister for the Environment is accountable for this proposal and all national direction under the RMA. The Minister for Urban Development leads the Urban Growth Agenda programme of work within which this proposal sits. These Ministers need to sign off the proposal and will consult Ministers with related portfolios (including the Minister of Local Government and the Minister and Associate Minister of Transport) before seeking Cabinet support for it.

MfE and HUD are jointly developing the proposal and would need to resource its ongoing implementation. They have a keen interest in its effectiveness, efficiency and its alignment with other work, including other national direction under the RMA and housing and urban development initiatives.

The Ministry of Transport, Treasury, Department of Internal Affairs (Local Government), Te Puni Kokiri, Ministry of Health and Ministry of Education are inputting to the proposal and are also interested in its alignment with other Government priorities. These include more efficient infrastructure funding and financing, the Government's Policy Statement on transport, and reform of the three waters.

2. Local authorities

Local authorities are the most interested and influential stakeholders for this proposal, because they shape cities through their core functions of RMA planning and providing public infrastructure. Their interests as infrastructure providers are covered under that grouping. This section of the RIS focuses on how the proposal could affect the statutory responsibilities of local authorities under the RMA.

The proposal would direct changes to planning practice and potentially constrain the autonomy and power of local decision makers under the RMA. Notwithstanding this, the

NPS may be welcomed by councils who are seeking increased direction to make difficult decisions (eg, to allow intensification) that may be unpopular with some of their constituents.

2.1 Major urban centre local authorities

The 21 local authorities that most of the proposal is targeted at would have the most influence over its success and would also be most directly affected. These local authorities have jurisdiction over six urban environments in which more than 60 percent of New Zealanders live, named as “major urban centres” in the proposal as follows:

Table 1: Major urban centre environments and local authorities

Urban environment	Local authorities
Auckland	Auckland Council
Hamilton	Environment Waikato, Hamilton City Council, Waikato District Council, Waipa District Council
Tauranga	Environment Bay of Plenty, Tauranga City Council, Western Bay of Plenty District
Wellington	Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kapiti District Council
Christchurch	Environment Canterbury, Christchurch City Council, Selwyn District Council, Waimakariri District Council
Queenstown	Otago Regional Council, Queenstown District Council

Of these, the proposal would particularly affect the six Wellington councils as it would require them for the first time to prepare a future development strategy, in collaboration with each other. These councils may view this a challenge.

2.2 Other high and medium growth urban area local authorities

There are 15 other local authorities with jurisdiction over “high” and “medium growth urban areas” as defined by the NPS-UDC, which would have a particular interest in the proposal as it would remove current requirements for them to prepare full housing and business assessments with prescribed content, methods and deadlines:

Table 2: Other high and medium growth urban areas and local authorities

Urban Area	Local authorities
Whangarei	Northland Regional Council, Whangarei District Council
Rotorua	Rotorua District Council
Gisborne	Gisborne District Council
Napier-Hastings	Hawkes Bay Regional Council, Napier City Council, Hastings District Council
New Plymouth	Taranaki Regional Council, New Plymouth District Council
Palmerston North	Horizons Regional Council, Palmerston North District Council
Nelson-Tasman	Nelson District Council, Tasman District Council
Marlborough	Marlborough District Council
Dunedin	Dunedin City Council

These assessments have reportedly cost between \$150,000 to \$500,000 per urban area, so local authorities might support the reduced compliance burden. However, they may have

benefited from the work they have already undertaken and choose to continue to do it at least in part.

2.3 Other local authorities

The remaining 30-40 local authorities will have some interest in the proposal because it would newly require them, where they are undertaking planning for an urban environment of more than 10,000 people, to:

- contribute to a quality urban environment
- monitor market indicators. Government would provide these indicators, but the councils would need to apply new resources to monitor them. The indicators should provide useful information for RMA Section 32 reports.

3. *Iwi authorities*

Iwi authorities will have particular interest in:

- the proposed quality urban environment policies, which require councils to partner with iwi, hapu to identify the resource management issues of concern for urban environments; to recognise these concerns; and to work with iwi, hapu and urban Maori to give effect to their aspirations
- similar strategic planning requirements.

Iwi authorities may also have interests as developers, captured under that stakeholder grouping. Urban Maori are included in the urban communities' stakeholder grouping.

4. *Urban communities*

Urban communities would be indirectly affected by the proposal when local authorities start to implement it. The most affected would be people living in the largest cities that would experience the most intensification. This could result in:

- low income households, young people, Maori and future generations accessing more jobs and services and a better choice and more affordable homes; particularly benefiting
- some existing home owners perceiving a loss of amenity due to new development occurring in their neighbourhood.

5. *Infrastructure providers*

Infrastructure providers include NZTA, Government's health and education agencies and local authorities or their Council Controlled Organisations as providers of transport and water infrastructure. The proposal's success depends on them participating in future development strategies and providing infrastructure to support intensification. This could have positive or negative impacts on infrastructure providers' budgets. With the introduction of new funding/financing tools for infrastructure, infrastructure providers might also include developers.

6. *Land owners, developers and housing providers*

We expect developers and housing providers to welcome the proposal as it should remove constraints to more intensive development. The actions of landowners, developers and housing providers, in taking up the additional development opportunities, will ultimately determine the success of the proposal.

7. Business

This proposal would indirectly benefit particular types of businesses. In particular, intensification around centres would increase the number and range of workers and customers close to the professional services firms, retail outlets, cafes and restaurants located in these centres.

Stakeholder views expressed in consultation to date

This is a pre-consultation RIS and MfE and HUD have as yet limited information about the extent to which stakeholders share our view of the problem and causes and proposed solutions. Consultation to date has been limited to:

- Cross-Government agency consultation which has helped inform the proposal. Treasury has input to new options for calculating “sufficient” development capacity. The Ministry of Transport and NZTA have inputted to the quality intensification policies to ensure they support transport modal shift to reduce emissions and promote health. The Department of Conservation identified a risk that directing intensification where there is the highest demand for housing could conflict with the NZ Coastal Policy Statement. Te Puni Kokiri identified the lack of early engagement with Maori as a concern
- Discussions with Auckland Council officers as part of the Auckland Housing and Urban Growth partnership with government
- Discussions and workshops with high and medium growth councils throughout the implementation work for the NPS-UDC has informed amendments to existing policies, especially evidence requirements and which urban environments have to do the more stringent policies
- An initial hui with Māori technical planning and design experts to better understand how to reflect the needs of Māori/iwi in the objectives and policies for an Urban NPS. This highlighted the need to reflect Māori more strongly in the policies and objectives.

Planned consultation on the proposal

We will consult stakeholders over an 8-week period, on a discussion document that outlines the proposal and poses specific questions relating to impacts of proposals. The discussion document will propose:

- content for the NPS-UD in the form of draft objectives and policies to seek feedback on specific wording and impacts,
- content for the NPS-UD that is less formed than draft objectives and policies to seek feedback on how to best express the intent and explore the impact of the proposal
- content that could inform the development of other, future national direction and seek initial feedback on the efficacy of this

Other aspects of the consultation process will include:

- RMA 1991 statutory obligations for public notification:
 - Written letter in advance to Iwi authorities and statutory authorities
 - Public notice in gazette
- Basic consultation collateral: consultation webpage, Q&As

- Consultation with Iwi authorities as part of MfE’s regional hui on national direction, which is part of MfE meeting its obligations under the Treaty of Waitangi
- Meetings with the councils in the 6 major urban centres most targeted by the proposal, and the other 15 high and medium growth councils
- Meetings with representative bodies such as Local Government NZ, the NZ Planning Institute, the NZ Property Council, Infrastructure NZ and Generation Zero.
- A media release
- Creating a social media presence to promote the consultation
- Leveraging existing opportunities with key stakeholders to promote the consultation.

Section 3: Options identification

3.1 What options are available to address the problem?

Options

This RIS assesses the impact of options for national direction under the RMA to address the problems identified in section 2.3 and improve local urban planning for successful cities.

This RIS assesses five levels of options and some sub-options:

1. “Scope” options - for the breadth of the content of national direction
2. “How” options - which tool/s to use to provide this national direction
3. “What” options – for the detailed policy content options of key policies
4. “When” options – for the timing of national direction policies
5. “Where” options - for the geographic application of national direction policies.

The detailed policy content, timing and geographic application of policies will be publicly consulted on.

1. “Scope” options - for the breadth of national direction

The options for the scope of national direction are:

Status Quo (current NPS-UDC focused on the quantity of development capacity)

- a. New quality urban environment direction added to the current NPS-UDC. This would describe the “quality urban environment” that planning decisions must contribute to. It would respond to submissions that the NPS-UDC was too narrowly focused on quantity and address the problem that planning decisions tend to focus on addressing the adverse effects of development and don’t enable its benefits
- b. New strategic planning direction added to the current NPS-UDC. This would require local authorities to prepare FDS’s that contribute to quality urban environments, and to give greater weight to implementing these via their RMA plans. It would also encourage them to give effect to FDS’s via their long-term plans and Infrastructure Strategies under the LGA. It would respond to submissions that the NPS-UDC is too narrowly focused on RMA plans, and address some of the coordination failures in the planning system to better support successful cities

- c. New intensification direction added to the current NPS-UDC, requiring RMA plans to enable more quality intensification in locations where this will have the most social, economic and environmental benefits, contributing to quality. This would counteract the planning system bias toward the status quo and current property owner interests
- d. The NPS-UDC with amendments to ensure it better achieves its objective that RMA plans provide sufficient development capacity based on good evidence
- e. Broad scope: The NPS-UDC with amendments plus new direction on quality urban environments, strategic planning and intensification.

Not all of these scope options are mutually exclusive: options a. b. c. and d. are combined to produce option e. This is shown in Figure 1 which summarises the proposal.

2. “How” options - National direction tool/s to use

There are different forms of national direction under the RMA which can do different things. The options assessed were:

The status quo (NPS-UDC and its guidance and support)

- a. New (non-regulatory) guidance and support on best planning practice
- b. A National Policy Statement (NPS) that is legally binding, shapes the planning system and directs decisions made by councils
- c. A more directive intervention into councils plans (via a National Environmental Standard (NES) or a National Planning Standard) that is legally binding and replaces specific existing rules in plans
- d. A package of tools including an NPS, NES/planning standard and guidance and implementation support.

These options are not necessarily mutually exclusive, and options a., b. and c. are combined to produce option d.

3. “What” options – detailed policy options

We also consider some sub-options for the detailed policy content of the scope options outlined above in 1. After analysing these sub-options, officials have discarded some and picked others to propose for consultation. The specific policy options considered are:

3.1 New quality urban environment direction – how quality is described

Status quo (no direction on quality)

- a. Preamble to an NPS that describes broad features of a quality urban environment and explains how planning can enable these in different environments. This would not be legally binding
- b. Broad description in an objective to an NPS listing many features of a quality environment that planning decisions must give effect to
- c. Narrow description in an objective to an NPS listing only particularly urban features of a quality environment listing that planning decisions must give effect to.

3.2 New strategic planning direction – scope of strategic plan

- a. Status quo. This requires councils to prepare future development strategies that focus on urban development
- b. Covers all social, economic, environmental and cultural matters. This would require councils to prepare full spatial plans with a much broader scope than future development strategies.

3.3 New intensification direction – how specific it is about intensification and the locations this must be enabled

Status quo (no direction on locations for intensification)

- a. Outcome-oriented direction to enable terraced housing and apartments in “suitable catchment areas” around public transport stops and centres
- b. Specific quantity-based direction to enable an overall density of 60 dwellings per hectare within 800m walkable catchment of centres and frequent passenger transport, except where evidence shows it should not be enabled.

3.4. Amendments to the NPS-UDC – alternative methods for better calculating how much residential development capacity RMA plans should provide

Status quo (development feasibility modelling using current costs and prices inputs)

- a. Land price inputs in feasibility modelling. This amendment would require local authorities to use lower land price inputs in their development feasibility modelling. This is to calculate how much development capacity would be required in RMA plans to enable the supply of new homes to meet demand at much lower prices
- b. Development take up percentages. This amendment would require local authorities to discount the feasible development capacity that they calculate, using specified percentages for the capacity that is likely to be taken up in greenfield areas versus urbanised areas
- c. Method for calculating and applying take up percentages. This would specify a method that local authorities must themselves use to calculate the percentage of capacity that is likely to be taken up in different locations in their city over different time periods.

4. “When” options - for the timing of national direction

Some of the national direction proposed here would have immediate effect, but other policies will require time to comply with. This includes time to prepare new evidence, undertake collaborative spatial planning, and undertake analysis of regulatory options for intensification. There is a trade-off between obtaining the benefits of national direction quickly and requiring what is achievable/minimising costs for local authorities.

The sub-options for when the most challenging national direction on intensification, evidence and spatial planning would come into effect include:

4.1 Intensification – timeframes for notifying plan changes:

Status quo

- a. Planning Standards timeframe. Local authorities would be required to notify plan changes enabling intensification when they review their District Plans in line with the national planning standards requirements. This would be by April 2024 for

Wellington, Hamilton and Tauranga; 2026 for Christchurch and Queenstown and 2029 for Auckland

- b. By September 2021. Local authorities would be required to notify plan changes enabling intensification within 18 months of the NPS-UD being issued.

4.2 Timeframes for preparing housing and business development capacity assessments (HBAs) and future development strategies (FDS's) to inform planning decisions.

- a. Status quo: This requires local authorities to prepare HBAs within three years of initial preparation (ie by end 2020 for most local authorities and by end 2021 for the Wellington local authorities)
- b. Amend NPS-UDC timeframes to inform and align with long term plans. This would require local authorities to *update* their HBAs and FDS's to inform long term plans that are consulted on in early 2021.

5. "Where" options - for the geographic application of national direction

We intend that different policies be targeted at different councils and places to minimise the costs of the policies and maximise their benefits.

The Status quo NPS-UDC targeting approach uses Statistics NZ's urban areas definition and growth triggers. Different policies apply to councils as identified in Table 3:

Table 3: Status Quo – NPS-UDC geographic targeting approach

Tiers	Urban Area	Local authorities
1: High growth <ul style="list-style-type: none"> • FDS • Minimum targets for housing development capacity • HBA and monitor market indicators 	Whangarei	Northland Regional Council, Whangarei District Council
	Auckland	Auckland Council
	Hamilton	Environment Waikato, Hamilton City Council, Waikato District Council, Waipa District Council
	Tauranga	Environment Bay of Plenty, Tauranga City Council, Western Bay of Plenty District
	New Plymouth	Taranaki Regional Council, New Plymouth District Council
	Christchurch	Environment Canterbury, Christchurch City Council, Selwyn District Council, Waimakariri District Council
	Queenstown	Otago Regional Council, Queenstown District Council
2. Medium growth HBA and monitor market indicators	Rotorua District Council	Environment Bay of Plenty Regional Council
	Gisborne	Gisborne District Council
	Napier-Hastings	Hawkes Bay Regional Council, Napier City Council, Hastings District Council
	New Plymouth	Taranaki Regional Council, New Plymouth District Council
	Palmerston North	Horizons Regional Council, Palmerston North District Council
	Wellington	Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kapiti District Council
	Nelson-Tasman	Nelson District Council, Tasman District Council
	Marlborough	Marlborough District Council

	Dunedin	Otago Regional Council, Dunedin City Council
Tier 3 Objectives and outcome policies	All urban areas 10,000 people	All local authorities

The other options for targeting policies are:

- a. Size and growth triggers. National direction could define urban environments and use triggers that place greater emphasis on large growing urban centres. This would produce two tiers:
 - All local authorities planning for urban environments of more than 10,000 people would be subject to the objectives and quality urban environment outcome policies and requirement to monitor market indicators
 - The other policies would only apply to urban environments as per the triggers.
- b. Name the councils targeted. National direction could name urban environments and local authorities that the most challenging policies would apply to. This would produce two tiers:
 - All local authorities planning for urban environments of more than 10,000 people would be subject to the objectives and quality urban environment outcome policies and requirement to monitor market indicators
 - The other policies would only apply to “major urban centres” (based on a combination of size, growth and housing pressure indicators) - identified in table 4.

Table 4: Name the major urban centre urban environments and local authorities

Urban environment	Local authorities
Auckland	Auckland Council
Hamilton	Environment Waikato, Hamilton City Council, Waikato District Council, Waipa District Council
Tauranga	Environment Bay of Plenty, Tauranga City Council, Western Bay of Plenty District
Wellington	Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kapiti District Council
Christchurch	Environment Canterbury, Christchurch City Council, Selwyn District Council, Waimakariri District Council
Queenstown	Otago Regional Council, Queenstown District Council

3.2 What criteria, in addition to monetary costs and benefits, have been used to assess the likely impacts of the options under consideration?

The criteria used to assess the impact of the different options are:

1. Consistency with the purpose (Section 5) of the RMA to promote the sustainable management of natural and physical resources
2. Effectiveness - the extent to which the option will achieve the outcome sought. Note this outcome is different for each level of option analysis and is written in full in the tables below
3. Cost (financial)

4. Risk—the possibility of unintended outcomes.

3.3 What other options have been ruled out of scope, or not considered, and why?

Section 2.4 identifies options for reform other than national direction under the RMA that were ruled out of scope because they are being addressed in other policy work. These include:

- Legislative reform
- Infrastructure funding and financing
- Transport pricing
- Government participation in local spatial planning
- The Housing and Urban Development Authority
- Work to improve the productivity of the construction and building sectors.

The content of the proposed NPS-UD does not include all possible urban matters: it focuses on addressing problems currently identified in the Government's Urban Growth Agenda.

It also does not include direction on addressing environmental impacts that may occur in urban environments, but which are otherwise addressed in the RMA or national direction. This includes national policy statements being amended or developed on freshwater, productive land and indigenous biodiversity.

There are some content options that have been ruled out of scope for the NPS because of legal limits of this tool under the RMA. For example, the proposed NPS can strongly encourage but cannot direct local authorities to do things governed by separate legislation such as the LGA, eg:

- Give effect to future development strategies in long term plans and infrastructure strategies
- Provide infrastructure to support development capacity and intensification
- Make decisions collectively with other local authorities.

Section 4: Impact Analysis

Marginal impact: How does each of the options identified at section 3.1 compare with the counterfactual, under each of the criteria set out in section 3.2?

1. “Scope” options - for the breadth of national direction

Table 5 rates each of the scope options against the criteria and compares this to the status quo (current NPS-UDC content). It shows that the options of introducing new quality urban environment or spatial planning or intensification policies or amending the NPS-UDC would each be better overall than the status quo. A package of national direction that does all of these things would be much better than the status quo, and this is what we recommend for consultation (the proposal shown in Figure 1).

Table 5: Options for the scope of national direction

	Status quo	a. Quality urban environment	b. Strategic planning	c. Intensification	d. Amend NPS-UDC	e. Amend NPS-UDC + quality + strategic planning + intensification
Meets purpose of RMA	0	+	+	0	0	++
Effectiveness in improving urban planning for more successful cities	0	+	+	+	+	++
Costs	0	0	+	+	-	+
Risk	0	0	0	-	0	-
Overall assessment	0	+	+	+	+	++

Key:

- Worse than status quo 0 About the same as /the status quo + Better than status quo
- Much worse than status quo ++ Much better than status quo

Detailed analysis of each option follows where it differs from the status quo.

a. New quality urban environment direction

New direction about how to interpret the “quality environment” and “amenity” (other matters in Section 7 of the RMA) in an urban context, so as to enable all communities to provide for their well-being (Section 5(2)) would help local authorities to better *meet the purpose of the RMA*. It would also be *effective* in improving urban planning for successful cities, by counteracting some of the anti-development bias shown in decisions which tend to underemphasise features of quality and amenity values that urban development contributes to²². This will apply to meeting growth requirements both ‘up and out’.

b. New strategic planning direction

²² Beca, *Enabling Growth – Urban Zones Research: Key Observations, Findings and Recommendations* (MfE, 2018)

New strategic planning policies would *meet the purpose of the RMA* better than the status quo, by increasing requirements that local authorities take a long-term sustainability focus in their planning.

The policies would be more *effective* in improving urban planning for more successful cities, by requiring RMA regulations to give effect to strategic plans that contribute to a quality urban environment, integrate infrastructure and land use and are prepared collaboratively (future development strategies)²³. The direction would strengthen spatial planning to address coordination failures in the current planning system. It would help local authorities prepare for and better respond to growth in a way that contributes to a desired future city.

The new requirements would likely not *cost* local authorities or government anything additional; and should produce cost-savings in the long term. These cost savings would result from efficiencies due to better coordinating the regulatory and infrastructure expenditure decisions of multiple local authorities and central government.

c. New intensification direction

New requirements that RMA plans enable intensification of development, particularly around centres, would be *effective* in improving urban planning for more successful cities, by removing planning constraints on the number of people who can live in areas of amenity close to jobs and services. Based on cost benefit analyses of intensification in Auckland, Sydney and US cities summarised in Appendix 1²⁴, we consider there would be “productivity spill overs” associated with better matching areas of housing and employment density, and transport, social and environmental benefits of concentrating intensification near centres.

The cost benefit analyses suggest that the intensification policies would have *costs*, including the costs for councils of changing plans, costs for some current property owners associated with overshadowing and blocked views from tall buildings, and potentially higher education infrastructure costs. However, these costs would be more than offset by the savings associated with accommodating growth via intensification. This is due to lower transport, water and community infrastructure costs, less congestion, lower greenhouse gas emissions, less loss of peri-urban open space, and less degradation of freshwater and coastal water quality than would occur if development happened in greenfields areas, instead of the intensification resulting from the NPS-UD²⁵. Net cost savings associated with additional intensification could be in the order of \$400m over 25 years²⁶. The centres-

²³ The limits of these spatial planning policies are that national direction under the RMA can encourage, but cannot direct, local authorities to plan together and implement their future development strategy via their infrastructure decisions under the LGA

²⁴ See especially the *Costs and benefits of alternative growth scenarios for Sydney* (Centre for International Economics (CIE) and Arup, 2012)

²⁵ MRCagney, Covec and Beca, *Cost benefit analysis of policy options for a national policy statement on urban development capacity* (MfE 2016); CIE, *The Cost of Residential Servicing* (Auckland Council, 2015); *Analysis of public policies that unintentionally encourage and subsidise urban sprawl* (Victorian Transport Policy Institute, 2015); and the *Benefits and costs of alternative growth paths for Sydney* (CIE, 2010)

²⁶ This number is indicative, estimated using the *Benefits and costs of alternative growth paths for Sydney* (CIE 2010). That study estimated incremental net benefits of A\$795m over 25 years for moving from a 70/30 to 90/10 urban infill to greenfield ratio. The combined populations of Auckland, greater Hamilton, Tauranga, Wellington and Christchurch, and Queenstown comprise about half of the population of Sydney; with similar projected population growth rates. A 30 percent increase in intensification across these urban environments might yield approximately half of the net benefits of increasing intensification in Sydney: about \$400m over

focused intensification policies would produce additional cost savings (as there are higher costs associated with intensification that is dispersed across suburbs)²⁷. The cost savings would be national and region-wide while some of the costs would be experienced at the neighbourhood level.

There are *risks* that the quality intensification policies might be either insufficiently directive to make a difference, or that local authorities face community opposition to the policies and refuse to implement them.

d. NPS-UDC amendments

Amendments to NPS-UDC policies for calculating and providing sufficient development capacity would be more *effective* than the status quo in improving urban planning for more successful cities, by better ensuring that councils provide enough capacity for development in their plans. The amendments would address a problem with NPS-UDC requirements that cause local authorities to underestimate the development capacity they need to provide.

The amendment would increase *costs* for some local authorities by requiring them to do additional work to estimate development capacity.

The amendments should address current NPS-UDC *risks* (that councils will underprovide development capacity). However, there is a risk of poorly designed amendments that could either still result in an undersupply of development capacity, or indirectly require councils to provide unnecessary infrastructure to support an oversupply of development capacity, or undermine councils buy-in to the NPS and therefore its implementation. We recommend mitigating these risks by developing the amendments via a targeted engagement with council practitioners and experts before and during the consultation process.

e. Broad scope: The NPS-UDC with amendments plus new policies on quality environments, strategic planning and intensification

This option is preferred because it includes all the strengths of each of the other options against the full range of criteria.

However, the breadth and depth of the preferred option means that there would be risks that a) policies will have unintended negative outcomes, and b) policies will not be acceptable to local authorities and therefore not implemented as intended. We recommend using the consultation period to improve the policies and address these risks.

2. How - Options for national direction tool

Table 6 compares options for the form that new national direction should take. The status quo is the current NPS and its guidance and support, while the other options are each different tools for providing the additional new national direction.

Each of the national direction tools has different strengths and weaknesses which limit the extent to which any of them on their own can improve upon the status quo overall.

25 years. Sydney's scale means its benefits should be greater; on the other hand, Sydney is also already very dense so our cities might have more scope for and benefit more from intensification.

²⁷ The *Costs and benefits of alternative growth scenarios for Sydney*, undertaken by CIE and Arup in 2012 found further net benefits of \$193m over 25 years if more intensification is located around strategic and local centres (including the CBD).

However, a combined package of tools each used for what they are best at, would add together all their strengths and alleviate each of their weaknesses. This would be much better than the status quo.

The development and enforcement of each of the new tools would increase costs for government relative to the status quo, and the package of tools would cost the most. We recommend staging development of the tools within existing resources, prioritising the NPS. This would be system shaping tool that can incorporate the full scope of policies recommended in the above section and can be supported with the later development of guidance. An NES can also be developed later if the implementation of the NPS doesn't achieve its objectives and it is considered that greater central intervention is required.

Table 6: Assessment of options for national direction tool

	Status quo	a. New guidance and support	b. New NPS	c. more directive intervention	d. Package of tools
Meets purpose of RMA	0	+	+	+	++
Effectiveness in improving urban planning for more successful cities	0	+	+	+	++
Cost	0	-	-	-	--
Risk	0	+	0	-	+
Overall	0	+	+	0	++

Key:

- Worse than status quo
- 0 About the same as /the status quo
- + Better than status quo
- Much worse than status quo
- ++ Much better than status quo

Each of the options would add RMA direction to the system and so would *meet the purpose of the RMA* better than the status quo.

a. New (non-regulatory) guidance and support

Guidance and support can be provided in the most breadth and highest level of detail and customised to different local authorities and urban environments. Our experience with implementing the NPS-UDC shows that this is very *effective* in helping councils voluntarily improve some aspects of planning practice for more successful cities. However, because it is not legally binding it produces no certainty of change, and our experience shows that some of the more difficult change we seek will require more legal force.

We estimate the additional cost of new guidance and support to be around \$1.5m²⁸.

New guidance and support would reduce *risks* with the status quo by recommending better practice (eg better methods for calculating sufficient development capacity).

²⁸ We estimate that the *total* cost to Government of providing new guidance and support (data, written guidance, ongoing face to face engagement, evaluation and monitoring) would be about \$6m. However, much of this would replace rather than add to the cost of the status quo. The budget bid for implementing the NPS-UDC is approximately \$4.9m over the next four years.

b. New national policy statement

A new national policy statement would be more *effective* than the status quo at improving planning practice for more successful cities, because it would add national direction that is legally binding with room for councils to decide how best to give effect to it given specific local circumstances and information, which may change over time. An NPS can accommodate the broad scope recommended in the previous section. It would impact the system at the plan-making level and flow down through to other processes. But there are limits to the detail, customisation and explanation that can be incorporated in an NPS and this means local authorities may not give effect to some requirements as intended.

We estimate that the *cost* to Government of developing a new NPS would be similar to the NPS-UDC: approximately \$1.5m.

While a new NPS could reduce some of the *risks* of the status quo by amending the NPS-UDC, additional legally binding national direction would introduce new risks of unintended outcomes.

c. More directive intervention tool (NES or National Planning Standard)

Adding a NES or national planning standard would be more *effective* than the status quo at improving planning practice for more successful cities, because it would override some specific problematic regulations (such as car parking minima that increase the cost of residential development), or replace the content for some zones (eg, writing the objectives, policies, and rules for a high density zone). It is the most prescriptive and directive form of national direction. However, because it is targeted at regulations rather than the overall system it cannot incorporate the full scope of the national direction identified in the above section and achieve the breadth of change desired.

We estimate that the *cost* to Government of preparing an NES or planning standard would be about \$1m, comparable to the most modest of other NES's prepared by MfE.

A more directive intervention tool could address some of the *risks* of the status quo by replacing specific regulations. However, they would not enable councils to decide how best to achieve the objectives of national direction depending on local circumstances. It is also inflexible and would not adjust to new information or changes over time. The risk of introducing new unintended outcomes is higher with this most directive tool.

d. A package of tools – new national policy statement, more directive intervention tool, and guidance and support

A package of tools would be much more *effective* than the status quo at improving planning practice for more successful cities, because it would combine the strengths of each tool. The package would include direction that is legally binding, address both the plan making level which will flow through to wider changes in the planning system, and rules, and would be complemented by guidance and support to cement in better practice.

The estimated additional *cost* of the package is \$4m over four years: \$2m in 2019/20 and \$2m between 2020/21 and 2022/23²⁹.

²⁹ We estimate that the *total* cost to Government of this package of tools would be approximately \$9m over four years. This comprises \$4m in 2019/20 to develop the NPS, NES and initial guidance, and \$5m between 2020/21 and 2022/23 to finish the NES and for further guidance and support. Of this, \$4.9m has already been budgeted for implementing the NPS-UDC over the next four years.

The option would reduce *risks* with the status quo by amending the NPS-UDC. It would minimise the new risks of introducing unintended outcomes with additional direction, by using each tool in the most appropriate way and balancing direction with support and guidance.

3. “What” options - for the content of national direction – detailed policy options

This section assesses the impact of different detailed policy options within the broad scope outlined in section 1.

3.1 New quality urban environment direction – how quality is described

Table 7 compares the detailed policy options for describing the quality urban environment that planning decisions should give effect to. It shows that describing a quality urban environment in either a preamble or a narrowly worded objective would overall be better than the status quo (the NPS-UDC, which is silent about quality). However, a broad objective that lists many features of quality would be worse. We recommend consulting on a combination of a. and c. – a broad explanatory preamble and a narrowly worded objective describing features of a successful city.

Table 7: Quality urban environment options

	Status quo	a. Preamble	b. Broad objective listing many features	c. Narrow objective listing features of successful cities
Meets purpose of RMA	0	++	++	+
Effectiveness in improving urban planning for more successful cities	0	+	-	++
Cost	0	0	0	0
Risk	0	0	-	0
Overall assessment	0	+	-	++

Key:

- Worse than status quo
- 0 About the same as /the status quo
- + Better than status quo
- Much worse than status quo
- ++ Much better than status quo

a. Preamble

A preamble could improve the ability to *meet the purpose of the RMA* by explaining what a “quality environment” (in section 7) looks like in an urban context and how can contribute to the wellbeing of people (part of section 5(2)). A preamble can list many features and do this in some detail and with more nuance than objectives or policies.

A preamble could be somewhat *effective* in improving urban planning for successful cities, by explaining how planning could better provide for the benefits of urban development. However, a preamble is not legally binding so cannot guarantee that local authorities will make the desired more difficult changes to planning practice.

b. Broad objective listing many features of a quality environment

This option could also improve the ability to *meet the purpose of the RMA* by explaining what a “quality environment” (in section 7) looks like in an urban context and how can

contribute to the wellbeing of people (part of section 5(2)). A broadly worded objective can be consistent with more parts of the RMA than a narrowly worded objective.

However, a broadly worded description of quality urban environment would be less *effective* than the status quo in improving urban planning for successful cities. It would not help councils to make different trade-offs than they now do, and indeed may provide grounds for councils or appellants to further restrict or add costs to beneficial development. For example, residents might oppose social housing developments on the grounds of “safety” being included in the description of a quality urban environment.

A *risk* with this option is that it could also require councils to plan for conflicting features of quality that are impossible to achieve.

c. Narrowly worded objective listing features of successful cities

This option could also improve the ability to *meet the purpose of the RMA* by explaining what a “quality environment” (in section 7) looks like in an urban context and how can contribute to the wellbeing of people (part of section 5(2)).

It would be much more *effective* than the status quo in improving planning for successful cities, by addressing the overarching problem that planning tends to focus on the adverse impacts of urban development and does not adequately provide for its benefits. It would provide legally binding direction that planning decisions put greater emphasis on features of successful cities that contribute to a quality urban environment and peoples’ wellbeing.

3.2 *New strategic planning direction - scope of strategic plan*

Table 8 compares the detailed policy options for the scope of strategic planning: the status quo urban focused future development strategies, and a much broader full spatial plan. The status quo is the best option for our context and we recommend consulting on this.

Table 8: Spatial planning scope options

	a. Status quo (urban focused future development strategies)	b. Full spatial plan scope
Meets purpose of RMA	0	+
Effectiveness in improving urban planning for more successful cities	0	-
Cost	0	-
Risk	0	-
Overall assessment	0	-

Key:

- Worse than status quo 0 About the same as /the status quo + Better than status quo
- Much worse than status quo ++ Much better than status quo

The only advantage of broadening the scope of future development strategies required by the NPS-UDC is that this would better *meet the purpose of the RMA*, by ensuring that they deal with all aspects of resource management whether these are urban development issues or not.

However, this option would not be as *effective* at improving urban planning for successful cities as much as the status quo. Requiring a broader spatial plan as part of the NPS-UD

would mean that local authorities would not be able to give necessary attention to their urban development issues³⁰.

Requiring a broader spatial plan as part of the NPS-UD would also impose additional *costs* on local authorities to produce such a plan in a short time frame. There is a *risk* that local authorities would not be able to deliver.

3.3 New Intensification direction – how specific it is about intensification and the locations this must be enabled

Table 9 compares the detailed policy options for describing locations where RMA plans must enable intensification of development. It shows that either outcome-oriented or more prescriptive direction would be better overall than the status quo (no direction). We recommend consulting on both options to develop an improved single policy.

Table 9: Intensification locations options

	Status quo	Outcome oriented direction	Prescriptive direction
Meets purpose of RMA	0	+	+
Effectiveness in increasing beneficial intensification	0	+	+
Cost	0	-	-
Risk	0	0	-
Overall assessment	0	+	+

Key:

- Worse than status quo 0 About the same as /the status quo + Better than status quo
- Much worse than status quo ++ Much better than status quo

Both options would *better meet the purpose of the RMA* than the status quo, because by directing RMA plans to enable intensification around centres should allow more people to provide for their wellbeing (section 5(2)).

a. Outcome oriented direction

This option would be more *effective* than the status quo in increasing beneficial intensification, by counteracting the democratic deficit which limits the development of more intensive housing in areas close to jobs and services. The requirement would also enable local authorities to customise their response to the different circumstances of different places. However, the option’s lack of prescription limits its effectiveness - it might not achieve the change intended by the NPS-UD. Councils may still not provide for sufficient intensification in all the areas where this would be beneficial and central government would not have the information to evaluate compliance with the policy intent.

This option would *cost* more than the status quo because it would require local authorities to resource plan changes and work to define suitable catchment areas and higher density residential developments in their context.

³⁰ The wider benefits of broadly scoped spatial planning would be better achieved through legislative reform than national direction on urban issues. Such legislative reform being considered as part of other policy work..

b. Specific quantity-based direction

This option would be more *effective* than the status quo in increasing beneficial intensification, by counteracting the democratic deficit which limits the development of more intensive housing in areas close to jobs and services. However, the effectiveness of the option is limited because it requires intensification “*except where evidence demonstrations intensification should not be enabled*”. This could be interpreted in such a way as to undermine the intent of the NPS-UD. It may mean that councils still don’t provide for sufficient intensification in all the areas where this would be beneficial.

This option would *cost* more than the status quo because it would require local authorities to resource plan changes and work to define where intensification should not be enabled.

The key *risk* with this option is that local authorities would not be able to respond in a customised way. Given the differing circumstances of major urban centres this might create perverse outcomes: for example, it might lead to insufficient intensification in the most beneficial parts of Auckland and inappropriate intensification in Tauranga.

3.4 Options for amending NPS-UDC methods to calculate development capacity

Table 10 rates the options for amending the way that the NPS-UDC requires councils to calculate “sufficient” residential development capacity in their housing and business development capacity assessments (HBAs). It shows that option a., using lower land price inputs in feasibility modelling, would not be better overall than the status quo. Options b. and c., different methods for including development “take up” in the calculation, would each have better overall outcomes. We recommend consulting on both.

Table 10: Options for amending NPS-UDC methods to calculate development capacity

	Status quo	a. Lower land prices in feasibility modelling	b. Development take up percentages	c. Direct method to calculate take-up percentages
Meets purpose of RMA	0	0	0	0
Effectiveness in calculating sufficient development capacity	0	+	+	++
Cost	0	--	+	-
Risk	0	-	+	+
Overall assessment	0	0	++	++

Key:

- Worse than status quo
- 0 About the same as /the status quo
- + Better than status quo
- Much worse than status quo
- ++ Much better than status quo

a. Using lower land prices in feasibility modelling

This option may be more *effective* in calculating sufficient development capacity than the status quo, because it could estimate how much capacity is required to get land and house prices down. However, the results of the method are untested and may produce

unrealistic numbers. For, example it might suggest that only development of skyscraper apartments will be feasible in already urbanised areas.

The method would *cost* more than the status quo as it would add significant complexity and time to current methods. It would require development feasibility models to be repeatedly re-run and would be difficult for local authorities to resource in-house.

The *risks* with this method are that its practicalities and outcomes are untested, and it will be very difficult for local authorities to understand and therefore act on.. This could result in them not implementing the NPS-UDC as intended.

b. Development “take up” percentages

This option would be more *effective* in calculating sufficient development capacity than the status quo, because it would estimate how much of the capacity provided in plans is actually likely to be developed. However, the take up factors specified in the NPS-UD would not be able to be varied by location and time to reflect actual patterns.

The option would be very simple to apply so would not *cost* more than the status quo.

The *risk* is that the factors specified are “wrong” for some places or times and produce perverse results: similar to the status quo.

c. Directing a method for calculating and applying “take up” percentages

This option would be much more *effective* in calculating sufficient development capacity than the status quo, because councils would use actual location and time-specific information that they hold. It would provide the most realistic estimate of how much of the capacity provided in plans is actually likely to be developed. However, it would not provide any information about how much additional development capacity is required to bring down prices.

It would *cost* more than the status quo, adding another complex step to existing methods.

The main *risk* with this option is that councils don’t apply the method as intended and the evidence continues to underestimate how much capacity plans need to provide for development.

4. “When” options - for the timing of national direction

2.1 Intensification – timeframes for notifying plan changes

Table 11 compares the options for the timing of intensification requirements – either the planning standards timeframe for notifying plan changes over the next decade, or within 18 months of the NPS-UD being made operative (September 2021). Either option would be better overall than the status quo (which does not direct councils to notify plan changes for intensification) and we recommend consulting on both.

Table 11: Timeframe options for notifying plan changes enabling intensification

	Status quo (no deadline)	With planning standards (between 2024 and 2029)	By Sept 2021
Meets purpose of RMA	0	0	0
Effectiveness in increasing beneficial intensification	0	+	++
Cost	0	0	-
Risk	0	0	-
Overall assessment	0	+	+

Key:

- Worse than status quo 0 About the same as /the status quo + Better than status quo
- Much worse than status quo ++ Much better than status quo

a. Planning standards timeframe

This option would be more *effective* at increasing beneficial intensification than the status quo by requiring plan changes enabling intensification to be notified by a set deadline. It would not necessarily *cost* more than the status quo because plan changes could be notified and consulted on at the same time as plan changes already required by the planning standards.

b. By September 2021

This option would be much more *effective* at increasing beneficial intensification than the status quo, by requiring plan changes enabling intensification to be notified as soon as possible. This timeframe would see plan changes notified much earlier than under option a. for all major centres, and especially in Auckland (eight years earlier) where a third of New Zealanders live and the market for intensification is greatest.

The option would *cost* more than the status quo, requiring councils to undertake more than one set of plan changes and consultations. The additional cost of unique plan changes for intensification would depend on the size of urban area and the extent of intensification considered. We estimate that it could range from several million dollars in Auckland to hundreds of thousands in smaller areas such as Tauranga³¹.

There is a *risk* that the timeframe is unachievable and/or won't be well informed or lead to the best outcome.

2.2 Timeframes for preparing HBAs and FDS's to inform planning decisions

Table 12 compares the options for the timing of housing and business development capacity assessments (HBAs) and future development strategies (FDS's). It shows that

³¹By way of indication, MfE's National Monitoring System data shows that local authorities undertook 127 District Plan changes between 2014 and 2018, most of which were very site specific and cost between \$20,000 and \$500,000 each. The total cost of such plan changes in Auckland was \$2m (a fraction of the cost of the Auckland Unitary Plan). Queenstown Lakes District Council spent over \$1m rezoning a greenfields area.

requiring these documents to be updated earlier in time to inform long term plans and infrastructure strategies, which are consulted on in early 2021, would be better than the status quo. This is what we recommend proposing for consultation.

Table 12: Timeframe options for updating evidence and future development strategies

	Status quo (HBAs end 2021)	HBAs and FDS's updated earlier to inform long term plans consulted on in early 2021
Meets purpose of RMA	0	0
Effectiveness in ensuring evidence and strategy inform planning	0	++
Cost	0	+
Risk	0	-
Overall assessment	0	+

Key:

- Worse than status quo 0 About the same as /the status quo + Better than status quo
- - Much worse than status quo ++ Much better than status quo

Requiring councils to update their HBAs and FDS's in time to inform the 2021 long term plans and infrastructure strategies would be much more *effective* than the status quo in ensuring that planning decisions are informed by evidence and strategy. It would enable councils to coordinate their RMA regulations and infrastructure investments and consultation in line with a strategic vision based on a good evidence base³². HBAs and FDS's could also inform plan changes enabling intensification by September 2021.

This timeframe would *cost* less than the status quo, because it would enable councils to prepare one set of evidence and undertake one consultation on their FDS and long term plans and infrastructure strategies. The key *risk* with this option is that councils may not be able to meet the deadlines.

5. Where - Options for the geographic application of national direction

Table 13 compares options for the geographic application of national direction. It shows that naming targeted areas would be much better than the status quo, and this is what we propose for consultation.

Table 13: Options for the geographic application of the preferred NPS-UD

	Status quo	a. Size and growth triggers	b. Name targeted areas
Meets purpose of RMA	0	0	0
Effectiveness in improving planning for successful cities where benefits are greatest	0	+	+
Cost	0	+	+

³² National direction under the RMA can *encourage* but not direct local authorities to prepare HBA's and FDS's collaboratively with other local authorities, and to use these to inform the long term plans and infrastructure strategies they individually prepare under the LGA.

Risk	0	-	++
Overall Assessment	0	+	++

Key:

- Worse than status quo 0 About the same as /the status quo + Better than status quo
- Much worse than status quo ++ Much better than status quo

a. Size and growth triggers

This option would be more *effective* than the status quo at improving planning for successful cities where the benefits are greatest, because the triggers would be set to emphasise larger urban environments where most New Zealanders live and intensification is most likely, as well as where there is growth and high land prices. For example, the option would ensure that the Wellington local authorities are required to prepare a future development strategy (they are excluded from this requirement under the status quo).

The option would *cost* an estimated \$2m less than the status quo³³, by removing requirements that 15 smaller local authorities prepare full HBAs with prescribed content, methods and timeframes (and that government engages with these councils and evaluates their HBAs).

This option has more *risks* than the status quo. Statistics NZ population growth updates or other data could trigger local authorities to move in and out of requirements, including some small non-urban local authorities where the benefits would be questionable.

b. Name targeted urban environments and local authorities

This option would be more *effective* than the status quo at improving planning for successful cities where the benefits are greatest, because the Minister would name larger urban environments where most New Zealanders live and intensification is most likely, as well as where data shows there is growth and high land prices. For example, the option would ensure that the Wellington local authorities are required to prepare a future development strategy (they are excluded from this requirement under the status quo).

The option would *cost* an estimated \$2m less than the status quo, by removing requirements that 15 smaller local authorities prepare full HBAs with prescribed content, methods and timeframes (and that government engages with these councils and evaluates their HBAs).

It would have much fewer *risks* than the status quo, because the Minister can control and change the targeting through an amendment to the NPS (which would require consultation and take between 3 - 6 months). This would prevent the risk that Statistics NZ population growth updates or other data trigger local authorities to move in and out of requirements, including some small non-urban local authorities where the benefits would be questionable.

Recommendations

As a result of the Regulatory Impact Assessment of these options, officials recommend:

³³ Based on information provided by local authorities, the HBAs have cost them between \$150,000 to \$500,000 per urban area (mostly to meet the requirements to assess business land and the commercial feasibility of development capacity). The 15 smaller local authorities have prepared 9 HBAs at a total estimated cost of around \$1.8m: central government expenditure on engagement and monitoring is added to this.

1. Government undertakes consultation on national direction that amends the NPS-UDC and includes new objectives and policies on quality urban environments, strategic planning and intensification
2. Officials focus first on the preparation of a national policy statement, with complementary guidance and possibly a national environmental standard or national planning standards being prepared later
3. The key content of the national policy statement consulted on include:
 - a. A broadly worded preamble and narrowly worded objective describing the quality urban environment that planning decisions shall contribute to
 - b. A requirement to prepare a future development strategy focused on urban development
 - c. Options for an outcome oriented or more specific quantity-based policy directing where intensification should be enabled
 - d. A requirement to estimate residential development capacity that RMA plans should provide, using information about development take up, by applying take up factors or a new method for calculating take up.
4. The timeframes proposed in consultation include:
 - a. Plan changes enabling intensification to be notified either with planning standards (which are staggered between 2024 and 2029) or 18 months after the national direction is issued (by September 2021)
 - b. Housing and business development capacity assessments and future development strategies be updated in time to inform and align with long term plans and infrastructure strategies (eg by early 2021)
 - c. Other policies come into effect when the national direction is issued in April 2020.
5. The proposed national policy statement names the target urban environments and local authorities the NPS policies would apply to. This should include the major urban centres of Auckland, Hamilton, Tauranga, Wellington, Christchurch and Queenstown. They would be required to prepare full housing and business development capacity assessments and future development strategies, set minimum housing development capacity bottom lines and notify plan changes that enable intensification around centres.

5.3 What other impacts is this approach likely to have?

Everything has been covered in other sections of this RIS.

5.4 Is the preferred option compatible with the Government's 'Expectations for the design of regulatory systems'?

We believe the preferred option is compatible with most of the Government's 'Expectations for the design of regulatory systems as identified below:

- has clear objectives
- seeks to achieve those objectives in a least cost way, and with the least adverse impact on market competition, property rights, and individual autonomy and responsibility
- is flexible enough to allow regulators to adapt their regulatory approach to the attitudes and needs of different regulated parties, and to allow those parties to adopt efficient or innovative approaches to meeting their regulatory obligations
- has processes that produce predictable and consistent outcomes for regulated parties across time and place
- is proportionate, fair and equitable in the way it treats regulated parties
- is consistent with relevant international standards and practices to maximise the benefits from trade and from cross border flows of people, capital and ideas (except when this would compromise important domestic objectives and values)
- is well-aligned with existing requirements in related or supporting regulatory systems through minimising unintended gaps or overlaps and inconsistent or duplicative requirements
- conforms to established legal and constitutional principles and supports compliance with New Zealand's international and Treaty of Waitangi obligations
- sets out legal obligations and regulator expectations and practices in ways that are easy to find, easy to navigate, and clear and easy to understand, and
- has scope to evolve in response to changing circumstances or new information on the regulatory system's performance.

Robust analysis and implementation support for changes to regulatory systems

Before a substantive regulatory change is formally proposed, the government expects regulatory agencies to provide advice or assurance on the robustness of the proposed change, including by:

- assessing the importance of the issue in relation to the overall performance and condition of the relevant regulatory system(s), and how it might fit with plans, priorities or opportunities for system improvement already identified
- clearly identifying the nature and underlying cause of the policy or operational problem it needs to address, drawing on operational intelligence and available monitoring or review information
- undertaking systematic impact and risk analysis, including assessing alternative legislative and non-legislative policy options, and how the proposed change might interact or align with existing domestic and international requirements within this or related regulatory systems

- making genuine effort to identify, understand, and estimate the various categories of cost and benefit associated with the options for change
- identifying and addressing practical design, resourcing and timing issues required for effective implementation and operation, in conjunction with the regulator(s) who will be expected to deliver and administer the changes
- providing affected¹ and interested parties with appropriate opportunities to comment throughout the process and, in the right circumstances, to participate directly in the regulatory design process (co-design), and
- use of “open-book” exercises to allow potential fee or levy paying parties to scrutinise the case for, and structure and level of, proposed statutory charges.

There are two expectations that this proposal may be incompatible with:

1. That the preferred option achieves its objectives “*with the least adverse impact on...individual autonomy*”. The proposal would intentionally constrain the decision-making autonomy of local authorities
2. The preferred option “*has processes that produce predictable and consistent outcomes for regulated parties across time and place*”. The proposal intentionally requires local authority planning to be more responsive to changes in markets that are not necessarily predictable or consistent over time and place

Appendix 1

Costs and benefits of additional national direction on urban development

The new national policy statement on urban development (NPS-UD) adds new objectives and policies to the national policy statement on urban development capacity (NPS-UDC). The new NPS-UD also amends some of the policies in the original NPS-UDC to improve its effectiveness.

The expected costs and benefits of the NPS-UDC were quantified as part of its Regulatory Impact Statement. We draw on and augment this work here, with an assessment of the costs and benefits of the additional objectives and policies in the NPS-UD – particularly the new requirements to enable intensification³⁴.

We provide only indicative quantitative estimates of the costs and benefits of the NPS-UD here. These were derived from cost benefit analyses of Sydney, which is much larger and more dense than any New Zealand city. While the types of costs and benefits are likely to be similar their scale will be different. In addition, infrastructure costs vary significantly depending on the site.

Overview of benefits and costs

The NPS-UD is expected to result in the following changes and net benefits or costs.

CHANGE RESULTING FROM NPS-UD	NET BENEFIT OR COST
Increased housing intensification overall in our large and growing cities	Net benefits could be in the order of \$400m over 25 years ³⁵ . This is the result of lower transport, water and community infrastructure costs, less congestion, lower greenhouse gas emissions, less loss of peri-urban open space, and less degradation of freshwater and coastal water quality than would occur if development happened in greenfields areas, instead the intensification resulting from the NPS-UD. These lower costs more than offset the costs associated with the intensification, which include higher costs of education infrastructure, overshadowing and blocked views from tall buildings. The benefits

³⁴ While this appendix summarises cost benefit analyses that quantify the net benefits of intensification, greenfield development may also have net benefits. The NPS-UD directs councils to enable intensification especially in certain areas (including in greenfield development). It is not likely to be possible to contain all growth within an existing urban area, so it is likely that councils will find the best future development path for their area involves some mix of development both up and out.

³⁵ This number is indicative. It is estimated using the *Benefits and costs of alternative growth paths for Sydney* (Centre for International Economics 2010). That study estimated incremental net benefits of A\$795m over 25 years for moving from a 70/30 to 90/10 urban infill to greenfield ratio. The combined populations of Auckland, greater Hamilton, Tauranga, Wellington and Christchurch, and Queenstown comprise about half of the population of Sydney; with similar projected population growth rates. A 30 percent increase in intensification across these urban environments might yield approximately half of the net benefits of increasing intensification in Sydney: about \$400m over 25 years. Sydney's scale means its benefits should be greater; on the other hand Sydney is also already very dense so our cities might have more scope for and benefit more from intensification.

	would be national and region-wide while some of the costs would be experienced at the neighbourhood level.
CHANGE RESULTING FROM NPS-UD	NET BENEFIT OR COST
A greater share of the intensification being located around centres proximate to the most jobs, services and passenger transport (than is currently the case)	Additional net benefits could be more than \$100m over 25 years ³⁶ . This is primarily the result of “productivity spill overs” associated with better matching housing and employment density, and transport and social benefits of concentrating intensification near centres, more than offsetting the additional costs of providing supporting education and local services. Dispersing the additional intensification across suburbs outside of key centres would have net costs .
Better evidenced collaborative long-term planning that directs local authority regulatory planning and guides infrastructure expenditure, in our large growing cities	<p>The net benefits of better planning are indirect and with current information not easily quantifiable. They include:</p> <ul style="list-style-type: none"> • It should provide greater certainty that there will be plenty of zoned land and infrastructure in the long term. This should reduce market expectations of a supply shortage and therefore land and housing prices • Greater coordination between councils across an urban environment, and with central government and other infrastructure providers, should: <ul style="list-style-type: none"> ○ Avoid delay costs for new projects and upgrades to existing infrastructure requiring multi-party funding. Accelerated infrastructure delivery can enhance productivity and reduce environment and social costs ○ Provide economies of scale. A more coordinated approach to planning can increase the tax payer’s purchasing power for infrastructure and reduce duplication ○ Improve resilience of infrastructure to climate change and natural disasters. Insurance and contingent liability costs can be minimised for local and central government.
Administration cost relief for small councils due to the new NPS refocusing objectives and policies towards large growing urban areas ³⁷ .	The current costs of preparing housing and business development capacity assessments range from between \$150,000 to \$500,000 per urban area. The new NPS would require only New Zealand’s five largest urban environments plus Queenstown to resource this work (relieving 15 small local authorities from the burden). The benefits of

³⁶ This number is indicative. It is estimated using the *Costs and benefits of alternative growth scenarios for Sydney*, undertaken by CIE and Arup in 2012. This found further net benefits of \$193m over 25 years if more intensification is located around strategic and local centres (including the CBD).

³⁷ The NPS-UD would also *increase* costs for the 6 Wellington urban environment local authorities (Wellington City, Porirua City, Hutt City, Upper Hutt City, Kapiti District and Greater Wellington Regional Council). This is because the NPS-UD would target its most challenging policies to large urban environments. It would newly require the councils in the Wellington urban area to prepare and give effect to a collaborative future development strategy, and to set bottom lines for residential development capacity in their RMA plans. We

	this evidence influencing better urban planning decisions will be much greater in these larger areas.
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The benefits of increased intensification

A significant body of literature concludes that accommodating growth via intensification of existing urban areas has greater net benefits than the alternative of growing outwards in greenfields areas. This RIS draws on four recent, comprehensive quantitative studies relevant to New Zealand:

- The 2016 cost benefit analysis undertaken for the NPS-UDC, which quantified the costs and benefits for Auckland of enabling additional development in via a) intensifying the existing urban area or b) in greenfields areas
- *The Cost of Residential Servicing* prepared for Auckland Council by the Centre for International Economics (2015)
- *The Analysis of public policies that unintentionally encourage and subsidise urban sprawl* (Victoria Transport Policy Institute, 2015) – an assessment of denser and more sprawling US cities
- *The Benefits and costs of alternative growth paths for Sydney* (Centre for International Economics 2010). This quantified the social, economic and environmental costs and benefits of three growth scenarios: a) where 70 percent of the growth is accommodated in infill areas and 30 percent in greenfields areas, b) with a 50/50 infill/greenfields ratio and c) a 90/10 infill/greenfields ratio.

1. The costs and benefits of intensification versus greenfield growth in Auckland

The analysis of the NPS-UDC’s costs and benefits (MRCagney, Covec, Beca 2016) quantified and compared the costs and benefits (for Auckland) of enabling additional development through intensifying the existing urban area versus expanding on greenfields land. This calculated net benefits between 2.0 and 10.7 billion dollars for intensification (depending on model choice and extent of negative externalities), compared between 1.3 to 9.2 billion dollars for greenfields growth.

The net gains arise in both scenarios because less restrictive development practices (via national direction) allow cities to grow which provides greater agglomeration benefits and lower housing costs for new entrants. Together, these two benefits outweigh the external costs of additional households such as infrastructure costs, congestion and environmental pollution. However, these latter costs do vary between the intensification and greenfields scenarios.

The summary results of the cost benefit analysis are shown in Table 1 below.

expect the additional benefits of these policies applying to the Wellington urban environment to be much more than the additional costs.

Table 1: Costs and benefits of achieving NPS-UDC objectives in Auckland

Costs/benefits	Model 1 results (forward-looking model of supply elasticity)				Model 2 results (backward looking model of supply, prices and rationing over 2001-2013 period)			
Modelled consumer benefits of increased house supply	\$2.6bn				\$7.2bn			
Modelled change in city size (households)	23,256				55,560			
Externality scenario	Urban (low cost)	Urban (high cost)	Greenfield (low cost)	Greenfield (high cost)	Urban (low cost)	Urban (high cost)	Greenfield (low cost)	Greenfield (high cost)
Estimated increase in negative externalities	-\$0.7bn	-\$1.7bn	-\$1.3bn	-\$2.4bn	-\$1.7bn	-\$4.0bn	-\$3.2bn	-\$5.6bn
Estimated increase in agglomeration benefits	\$2.2bn	\$1.1bn	\$2.2bn	\$1.1bn	\$5.2bn	\$2.6bn	\$5.2bn	\$2.6bn
Net benefits	\$4.0bn	\$2.0bn	\$3.4bn	\$1.3bn	\$10.7bn	\$5.8bn	\$9.2bn	\$4.1n

Table 2 below gives a comprehensive view of the estimated per household externalities used to calculate the aggregate figures in Table 1. A range of marginal estimates are shown to highlight that net benefits differ by location (urban vs greenfield) and there's uncertainty about the magnitude of some effects. Effective management of externalities and policies that promote agglomeration are aligned with higher net benefits.

Table 2 also shows intensification costs are more likely to be localised, such as blocked views and overshadowing of neighbouring properties, while greenfield development costs tend to occur at a regional level, such as consumption of open space or increased traffic congestion on major roads.

Table 2: External costs and benefits per household of achieving NPS-UDC objectives in Auckland

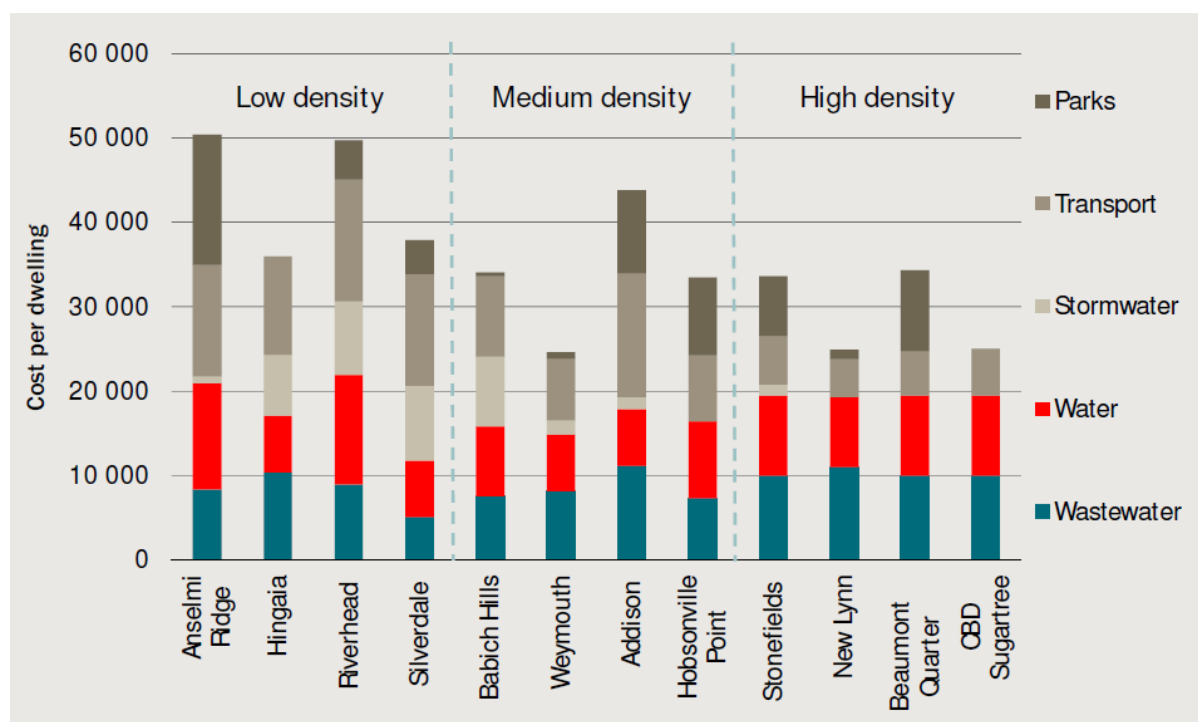
Externalities	Urban intensification		Greenfield	
	Low (PV \$/dwelling)	High (PV \$/dwelling)	Low (PV \$/dwelling)	High (PV \$/dwelling)
External infrastructure costs				
• Transport	\$0	\$0	-\$6,800	-\$10,300
• Water / wastewater	-\$3,200	-\$12,700	-\$3,200	-\$21,400
• Stormwater	\$0	-\$1,600	\$0	-\$1,600
• Open spaces and community facilities	\$0	\$0	-\$2,100	-\$3,200
Congestion	-\$22,700	-\$29,700	-\$35,200	-\$49,000
Overshadowing from tall buildings	\$0	-\$9,800	\$0	\$0
Blocked views from tall buildings	\$0	-\$10,200	\$0	\$0
Loss of peri-urban open space	\$0	\$0	-\$2,700	-\$4,700
Air quality	-\$3,800	-\$4,200	-\$3,200	-\$3,800
Freshwater quality	\$0	-\$2,200	-\$1,800	-\$3,600
Coastal water quality	\$0	-\$800	-\$1,900	-\$3,800
Noise, smells, and nuisances from incompatible activities	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Agglomeration economies in production	\$92,900	\$46,400	\$92,900	\$46,400
Agglomeration economies in consumption	(Unknown)	(Unknown)	(Unknown)	(Unknown)
Total	\$63,800	-\$24,800	\$36,000	-\$55,000
<i>Total excluding agglomeration economies</i>	<i>-\$29,100</i>	<i>-\$71,200</i>	<i>-\$56,900</i>	<i>-\$101,400</i>

A report prepared for Auckland Council in 2015 by the Centre for International Economics used a case study approach to estimate the infrastructure costs for different residential locations in Auckland. Parks, transport, stormwater, water and wastewater costs were assessed.

The report found that on average, low density developments were the most expensive to service (on average \$41,633 per dwelling); medium density developments were the next most expensive (on average \$33,890 per dwelling), while high density developments were the least expensive (on average \$28,077 per dwelling).

However, there was considerable variation in costs occurring within each density type as infrastructure costs are very location specific, and are often a function of existing (spare) network capacity. See Figure 1 below.

Figure 1 – Summary of Infrastructure costs by density and asset type



Similar conclusions were reached in a study that compares the magnitude of costs arising from development patterns in denser and more sprawling US cities (Litman, 2015).

2. Internal and external costs of density and sprawl in the United States

Litman (2015) compares the magnitude of costs arising from development patterns in denser and more sprawling US cities. He focuses on several channels through which low-density 'sprawl' development can generate external costs, relative to higher-density development focused in existing urban areas. First, it increases consumption of open space and undeveloped land; second, it increases average travel distances and hence affects people's transport behaviours; and third, it can affect the cost to supply infrastructure and public services.

Litman quantifies transport impacts and costs for infrastructure and public services based on empirical estimates of how these costs scale in urban locations with different average population density. He divides these costs between transport costs that are internalised by users (such as the financial cost of owning and operating motor vehicles), and external costs (such as air pollution and increased road crashes). As shown in Figure 1, he estimates that external costs tend to be higher in lower-density cities.

This table summarises costs in annual terms on a per-person basis. As context for this table, most New Zealand and Australian cities would fall into the first quintile ('smartest growth'). 2013 Census data indicates that Auckland's built-up area has an average density of around 27 people per hectare, while Christchurch has an average density of around 22 people per hectare.

Litman also notes, but does not quantify, some other effects of sprawl development, including benefits of living in different places that are internalised by residents, impacts on

economic productivity (via increased or decreased agglomeration economies), social impacts (eg equity of access to services), and housing affordability (which may be beneficial to individual households).

Table 3: Litman’s estimates of the costs of low-density sprawl development in the US

Impact	Units	Sprawl Factor ¹	Sprawl Index Quintile				
			1	2	3	4	5
			Smartest Growth		Average		Most Sprawled
Urban density ²	People/hectare	40%	23.5	16.8	12.0	7.2	4.3
Infrastructure capital costs ³	Annualized \$/capita	10%	\$502	\$558	\$620	\$682	\$750
Public service costs ⁴	Annual \$/capita	10%	\$1,201	\$1,334	\$1,482	\$1,631	\$1,794
Motor vehicle travel ⁵	Annual km/capita	17% ⁶	10,389	13,182	15,174	17,684	22,896
Fuel consumption ⁷	Annual litres/capita	17%	1,039	1,318	1,517	1,768	2,290
Vehicle internal costs ⁸	Annual \$/capita	17%	\$4,603	\$5,840	\$6,723	\$7,835	\$10,144
Vehicle external costs ⁷	Annual \$/capita	17%	\$3,082	\$3,911	\$4,502	\$5,246	\$6,793
Active transport ⁹	Annual walk-bike km/ca.	20%	360	300	250	200	160
Active transport benefit ¹⁰	\$/km walked/biked	\$1.00	-\$360	-\$300	-\$250	-\$200	-\$160
Traffic fatalities	Deaths/100,000 pop.	28%	4.3	5.9	8.2	10.5	13.4
			Total Per Capita Costs				
<i>Internal costs</i>			\$4,414	\$5,730	\$6,683	\$7,866	\$10,239
<i>Incremental internal costs</i>			\$0	\$1,316	\$2,270	\$3,453	\$5,825
<i>External costs</i>			\$4,615	\$5,614	\$6,394	\$7,328	\$9,082
<i>Incremental external costs</i>			\$0	\$999	\$1,779	\$2,713	\$4,467
Total costs			\$9,028	\$11,343	\$13,077	\$15,194	\$19,321
Total incremental costs			\$0	\$2,315	\$4,049	\$6,165	\$10,293

3. Benefits of intensification within Sydney’s existing urban areas

In 2010, the Centre for International Economics (CIE) assessed the costs of alternative growth paths for Sydney. This compared three alternative scenarios for the distribution of future growth from 2011 to 2036. Each scenario had different shares of urban infill and greenfield growth with total population held constant.

Like the Auckland study, a comprehensive range of costs were assessed including schools and hospitals. The private ‘transformational’ benefits from redevelopment, such as increases in land values were also accounted for. However, agglomeration benefits or the consumption of open space were not estimated.

Table summarises CIE’s key results. They find that an urban renewal focused scenario, with 90% urban infill and 10% greenfield development has the lowest costs. By contrast, a greenfield-focused scenario, with 50% urban infill and 50% greenfield development has the highest costs.

Transport and water infrastructure costs are the main cause of higher greenfield development costs. For urban renewal focused growth, new school construction costs are highest due to the higher cost of urban land.

Table 4: Costs of different growth paths for Sydney

Category	2005 Metropolitan Strategy	Focused on fringe/ Greenfield	Focused on urban renewal	Deviations from Metropolitan Strategy	
Ratio – Infill: Greenfield	70/30	50/50	90/10	50/50	90/10
	\$m	\$m	\$m	\$m	\$m
Transport					
Connecting transport	2 446	4 235	1 382	1 789	-1 065
Major infrastructure/congestion	11 057	11 599	10 786	542	-271
Physical infrastructure					
Electricity	1 903	1 919	1 898	16	-5
Water and sewerage	5 912	6 620	5 204	708	-708
Social infrastructure					
Primary education	2 064	1 922	2 186	-142	122
Secondary education	1 247	1 164	1 298	-84	51
Health	8 651	8 656	8 645	5	-5
Other social infrastructure	103	99	108	-4	5
Local council	6 529	6 695	6 419	167	-110
Environmental					
GHG emissions (relative to Metropolitan Strategy)	0	116	-116	116	-116
Air pollution	889	1 010	857	121	-33
Noise pollution	314	356	302	43	-12
Total costs	41 115	44 391	38 969	3 276	-2 145
Transformation benefits relative to Scenario 1	0	-1 716	-1 351	-1 716	-1 351
Net benefits relative to Scenario 1				-4 992	795

Notes: The benefits and costs presented in this table reflect the net present value of costs from 2011 to 2036 using a 7 per cent real discount rate.

Source: The CIE.

Assessing the costs and benefits of intensification resulting from the NPS-UD

A significant proportion of the development capacity enabled in Auckland Council's plans is already located in the existing urban area. The Council's future development strategy estimates that around 62 percent of development over the next 30 years will be located within this area. It anticipates 32 percent of the remaining development will be in "future urban areas" (or greenfield areas) and 6 percent in rural areas.

Other New Zealand cities have been experiencing less intensification than Auckland, reflecting a mix of greater planning restrictions on density or height, and lower demand. There is scope for faster intensification in all of them over the next 30 years.

In order to assess the benefits of the *additional* intensification that might occur in Auckland Wellington, Christchurch, Hamilton, Tauranga and Queenstown as a result of the new direction in the NPS-UD, we used the above Centre for International Economics (CIE) assessment of different amounts of intensification in Sydney.

The study estimates incremental net benefits of moving from a 70/30 to 90/10 urban infill to greenfield ratio of A\$795m over 25 years. The combined populations of Auckland, greater Hamilton, Tauranga, Wellington and Christchurch, and Queenstown comprise about half of the population of Sydney; with similar projected population growth rates. They all have different historic development patterns and markets for intensification. However, it seems

likely that if the NPS-UD were to result in increased intensification this would have net benefits in all of them. A 30 percent increase in intensification across these urban environments might yield approximately half of the net benefits of increasing intensification in Sydney: about \$400m over 25 years.

Net benefits of the NPS-UD directing intensification in specific locations

The NPS-UD not only directs local authorities to enable intensification, it also directs local authorities to locate intensification in specific areas. We assess the likely net benefits of this with reference to a further study on Sydney (*Costs and benefits of alternative growth scenarios for Sydney*), undertaken by CIE and Arup in 2012. This compared alternative scenarios for the location of future infill and redevelopment in existing urban areas, holding the quantity and location of greenfield development constant.

It found that the greatest net benefits were associated with concentrating intensification around the CBD and strategic and local centres more than has already been occurring. The most costs were associated with dispersing the intensification in suburbs outside of centres or concentrating it in one place (eg in the CBD).

This suggests the net benefits of increased intensification in New Zealand cities as a result of the NPS-UD would be maximised if this intensification is located strategically (and is more concentrated around the CBD and strategic and local centres than is currently the case).

4. Benefits of intensifying in and around Sydney's CBD and main centres

The CIE and Arup 2012 study estimated the impacts of locating intensification in the following places:

- Balanced centres – local centres *and* strategic centres, with little growth across dispersed infill areas.
- Strategic centres – such as Sydney CBD, Parramatta, Chatswood and others
- Inner middle – parts of Sydney closer to the CBD
- Dispersed infill – outside of centres

In addition to the costs and benefits identified in the previous study on Sydney, CIE and Arup also valued impacts on economic productivity via increased/decreased agglomeration economies and social impacts related to the health benefits of changes to active transport participation and social inclusion benefits from being able to reach more (or fewer) destinations.

As shown in Table 5, the authors find that the highest net benefits from intensification occur in Balanced Centres (local and strategic centres) and the Inner Middle (close to the CBD). The net benefits are A\$193m and A\$77m respectively. Dispersed infill intensification had a net loss of A\$832m.

Table 5: CIE and Arup's estimates of the costs and benefits of alternative scenarios for urban intensification

	Baseline	Balanced centres	Strategic centres	Infill dispersed	Inner middle
	\$/new dwelling, npv	\$/new dwelling, npv	\$/new dwelling, npv	\$/new dwelling, npv	\$/new dwelling, npv
Transport	0	1 678	84	1 128	- 13
Electricity	0	86	180	531	372
Water and sewerage	0	0	0	0	0
Primary education	0	- 168	127	- 278	- 356
Secondary education	0	181	- 388	282	- 47
Health	0	0	0	0	0
Local council	0	- 262	- 187	- 733	- 708
Environmental	0	199	276	- 35	220
Social	0	806	711	- 127	- 122
Value of land use change	0	45	-5 102	-6 794	249
Productivity spillovers	0	- 734	1 876	-1 873	1 134
Net benefits per dwelling	0	1 830	-2 423	-7 899	729
	\$m, npv	\$m, npv	\$m, npv	\$m, npv	\$m, npv
Net benefits total	0	193	-255	-832	77

Note: Net present values are calculated for 2012 using a 7 per cent real discount rate.

Source: The CIE.

Appendix 2

Sources of evidence referred to in this RIS

- MfE's *Building competitive cities – reforming urban and infrastructure planning: a discussion document* (2010)
- The NZ Productivity Commission's inquiries into *Using Land for Housing* (2012) and *Better Urban Planning* (2015)
- Research undertaken for the now operative National Policy Statement on Urban Development Capacity (NPS-UDC), including *How councils estimate demand and supply of development capacity for housing and business* (MfE, 2016), and *Signals of undercapacity: the practicalities of monitoring price signals under the NPS-UDC* (MBIE and MfE, 2016).
- *Regulatory Impact Statement for the Proposed National Policy Statement on Urban Development Capacity under the Resource Management Act 1991* (MfE and MBIE, 2016)
- *Maori Planning Futures: Review of Productivity Commission's "Better Urban Planning" Draft Report* (August 2016), Nga Aho and Papa Pounamu, Te Marino Lenihan, Jacky Bartley, edited by Bidy Livesey (2016)
- Local Government New Zealand's analysis of the 2016 election statistics, Greater Auckland's analysis of Auckland Council submissions data and Radio NZ's 2019 *White Noise* investigation. These quantify the underrepresentation of some population groups in local government consultation processes.
- Howden-Chapman P, Early L, Ombler J, *Cities in New Zealand: Preferences, patterns and possibilities* (New Zealand Centre for Sustainable Cities, 2017)
- Statistics New Zealand Population Projections Overview (2017)
- The market indicators and price efficiency indicators for different cities on MBIE's Urban Development Capacity dashboard. These quantify housing affordability, the shortfall of new home building, and land price distortions that reflect regulatory restrictions on development opportunities.
- Reports quantifying who is most affected by declining housing affordability, including:
 - Perry B, *The material wellbeing of New Zealand households: overview and key findings* (MSD, 2018)
 - Johnson A, Howden-Chapman O and Eaqub S, *A stocktake of New Zealand's housing* (commissioned by the Minister of Housing and Urban development, 2018)
 - Tuatagaloa P, *Affordability of Housing in Auckland – Who Will Teach Our Children?* (Auckland Council, 2017)
 - Mitchell I, *Can work, cannot afford to buy: the intermediate housing market* (BRANZ, 2015)
- Evaluation of the first housing and business development capacity assessments prepared to meet NPS-UDC requirements

- Engagement with and surveys of local authorities defined by the NPS-UDC as high and medium growth
- Cost benefit analyses of different urban development paths, including:
 - *Benefits and costs of alternative growth paths for Sydney* (Centre for International Economics, 2010)
 - Costs and benefits of alternative growth scenarios for Sydney (Centre for International Economics and ARUP, 2012)
 - Centre for International Economics, *The Cost of Residential Servicing* (Auckland Council, 2015)
 - *Analysis of public policies that unintentionally encourage and subsidise urban sprawl* (Victoria Transport Policy Institute, 2015)
 - MRCagney, Covec and BECA, *Cost benefit Analysis of policy options for a National Policy Statement on Urban Development Capacity* (MfE, 2016)
- BECA's *Enabling Growth - Urban Zones Research: Key Observations, Findings and Recommendations* (MfE, 2018), which identifies how regulatory provisions are restricting development and intensification in high growth urban areas
- *The Challenge of developing in desirable locations* (Auckland Council Chief Economist Unit, November 2018)
- MRCagney, *The Costs and Benefits of Urban Development* (MfE, 2019)