



Ministry for the  
**Environment**  
*Manatū Mō Te Taiao*

Ministry for Primary Industries  
Manatū Ahu Matua



26 June 2019

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## Update on Proposed National Policy Statement for Highly Productive Land

### Purpose:

To provide you with an updated timeline, draft Cabinet Paper and discussion document for the proposed National Policy Statement for Highly Productive Land, for your consideration and Ministerial consultation. The papers have been amended to respond to comments from Minister Parker, the Treasury and the Urban Growth Agenda teams. Your direction is sought on addressing outstanding issues raised by Treasury and next steps.

| Minister  | Action Required:   | Minister's Deadline                                      |
|---|--|--|
| Minister for the Environment<br><br>Minister of Agriculture | <b>Note</b> and <b>agree</b> the recommendations contained in the briefing | 27 June 2019 to begin Ministerial and party consultation |

### Ministry for Primary Industries Contact for telephone discussion (if required)

|                     | Name            | Position                               | Work    | Mobile  |
|---------------------|-----------------|--|---------|---------|
| Responsible Manager | Kay Baxter      | Manager – Land and Water Policy        |         | 9(2)(a) |
| Principal Author    | Frances Skilton | Senior Analyst – Land and Water Policy | 9(2)(a) |         |

### Ministry for the Environment Contact for telephone discussion (if required)

|                     | Name          | Position                                      | Work | Mobile  |
|---------------------|---------------|---|------|---------|
| Responsible Manager | Rachel Fyfe   | Acting Manager – Sustainable Land Stewardship |      | 9(2)(a) |
| Author              | Steve Summers | Analyst – Sustainable Land Stewardship        |      | 9(2)(a) |

## Key Messages

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1. In May we submitted a draft package for public consultation on the proposed National Policy Statement for Highly Productive Land (NPS-HPL) for your approval. Since then, we have made edits based on your feedback (Minister Parker) and changes in the wider environment. These changes included finalisation of the indicative cost benefit analysis (CBA), which prompted additional comments from Treasury, and evolution of the urban policy.
2. While agencies are broadly supportive of the Cabinet paper and discussion document, Treasury has concerns that the NPS-HPL:
  - a. Is likely to work against housing objectives in the Urban Growth Agenda (UGA) and further restrict the supply of urban land; and
  - b. Has a weak problem definition and rationale for intervention.
3. We have not been able to resolve Treasury's concerns and therefore, they have requested a departmental comment and split recommendation in the draft Cabinet paper.
4. We consider that the concerns expressed by Treasury about the potential impacts of the NPS-HPL to work against housing affordability and restrict land use supply are overstated and potentially misleading. There is no evidence to suggest that councils will provide more protections for highly productive land than what is intended and it is unclear why councils would be incentivised to do so. The potential regulatory uncertainty for property developers is speculative. There is no clear link between increased consideration performed by councils under the draft NPS-HPL and actual restrictions on the supply of urban land.
5. We consider that the NPS-HPL and the UGA can work together, through the proposed National Policy Statement for Urban Development (NPS-UD), to achieve the Government's urban development objectives as well as promoting the best use of our highly productive land resource to achieve the best value for New Zealand.
6. The detail of the Proposed National Policy Statement for Urban Development (NPS-UD), particularly around greenfield development and "growing out", is still under development. Amendments to the draft Cabinet paper and discussion document, in parallel to Ministerial and party consultation, are likely to be needed to reflect this new policy. We will provide updates to Ministers if these changes are substantive.
7. The problem statement for highly productive land is shaped around ongoing reduction in availability of the finite highly productive land due to urban expansion, fragmentation by lifestyle blocks and ad-hoc urban development. Key drivers that need to be addressed are centred on the planning framework, rather than a failure within the commercial land market. Further, it is the lack of clarity in the Resource Management Act (RMA) on how highly productive land should be managed and the land use planning framework not adequately considering the long-term productive and sustainability benefits of highly productive land.

8. Two options to address Treasury's outstanding concerns have been identified for your decision.
  - a. Option A: Delay consultation by several months to undertake assessment to quantify costs of balancing urban development and highly productive land, as well as more targeted options to reduce the impact on housing supply prior to public consultation
  - b. Option B: Continue to Ministerial and cross-party consultation and update cost benefit analysis following public consultation (recommended approach)
9. We recommend Option B as this will avoid a delay in the policy being considered in a public forum and provide a more robust, meaningful assessment, including a final CBA that is informed by public consultation. Adopting Option A would mean consultation alongside the proposed NPS Urban Development (NPS-UD) and a finalisation of policy in early 2020 will not be possible.
10. Even for the recommended approach, Option B, timelines to public consultation are tight. Meeting the anticipated deadlines will require Ministerial and cross-party consultation during recess. As Minister Parker is away in the lead up to lodgement of the Cabinet paper, if substantial feedback is received, we will investigate options to delay Cabinet Committee consideration and public consultation.

## Recommendations

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11. The Ministry for Primary Industries and Ministry for the Environment recommends that the Minister for the Environment and Minister of Agriculture:

- a) **Note** the content of the draft Cabinet paper (Appendix Three) and draft discussion document (Appendix Four) on the proposed National Policy Statement Highly Productive Land

**Noted**

- b) **Agree** to forward this paper to the Minister of Housing and Urban Development for his information.

**Agreed / Not Agreed**

- c) **Agree** to one of the proposed approaches to address the split recommendation from Treasury

- Option A: Delay consultation by several months to undertake assessment to quantify costs of redirecting urban development, as well as more targeted options to reduce the impact on housing supply prior to public consultation; OR
- Option B: Continue to Ministerial and cross-party consultation and update cost benefit analysis following public consultation (recommended approach)

**Option A: Agreed / Not Agreed**

**Option B: Agreed / Not Agreed**

- d) **Note** we will work with your offices to finalise the attached documents based on feedback from you and your ministerial colleagues.

**Noted**

- e) **Agree** for Minister O'Connor to lodge the attached Cabinet paper and discussion document for consideration by the Cabinet Economic Development Committee on 24 July 2019. (Applicable if Option B above is agreed)

**Agreed / Not Agreed**

- f) **Note** that timeframes are very tight to undertake Ministerial consultation and meet with Cabinet Committee timeframes above around recess availability.

**Noted**

Lorena Stephen  
Director  
Mana Taiao  
Ministry for the Environment

Hon David Parker  
Minister for the Environment

/ / 2019

Charlotte Denny  
Director Environment and Communities Policy  
Policy and Trade  
Ministry for Primary Industries

Hon Damien O'Connor  
Minister of Agriculture

/ / 2019

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## Background

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### **Amendments made to the Cabinet Paper and Discussion Document on the Proposed National Policy Statement for Highly Productive Land (NPS-HPL)**

12. Changes have been made to the Cabinet paper and discussion document on the proposed National Policy Statement for Highly Productive Land (NPS-HPL) to respond to comments received from Minister Parker, the Urban Growth Agenda (UGA) teams and Treasury.
13. A detailed table of changes made to the draft Cabinet paper and discussion document is outlined in Appendix One. A summary of the key feedback and changes made is below.

*The NPS-HPL will apply to future urban areas identified through non-statutory processes*

14. You (Minister Parker) sought clarification on whether the NPS-HPL would apply to 'future urban zones' identified in district plans (e.g. future urban zones in Auckland Unitary Plan) and 'future urban areas' identified through council-led strategic planning processes (non-statutory). Further details on these options and the potential benefits and costs has been added to the Cabinet paper and discussion document.
15. The preferred option is for the NPS-HPL to *apply* to future urban areas identified in non-statutory strategic documents in the NPS-HPL, and to *not apply* to future urban zones formally identified in district plans. This will provide councils with:
  - a. The flexibility to reconsider future urban areas in non-statutory documents in light of the NPS-HPL requirements; and
  - b. Avoid the risk of broad indicative future urban areas being excluded from the scope of NPS-HPL.
16. We will seek specific feedback on the potential impacts of this approach on current, planned, and future development through public consultation.

*Changes relating to the Urban Growth Agenda (UGA) work programme*

17. The Ministry for Housing and Urban Development (MHUD) advised us on 5 June 2019 that there have been some recent adjustments to the UGA work programme, most significantly new policies for how urban areas "grow out".
18. We note that the detail of the Proposed National Policy Statement for Urban Development (NPS-UD), particularly around greenfield development and "growing out", is still under development. Amendments to the draft Cabinet paper and discussion document, in parallel to Ministerial and party consultation, are likely to be needed to reflect this new policy. We will provide updates to Ministers if these changes are substantive.

19. MHUD reiterated their view the NPS-HPL provisions for how urban growth impacts on highly productive land could be incorporated into the NPS-UD, rather than as a separate tool. We continue not to prefer this option as the NPS-HPL objectives are wider than urban expansion. However, we have made changes to the discussion document to note that these two tools could be merged in the future.

*Treasury have concerns the NPS-HPL will work against housing objectives*

20. Treasury has raised concerns about the impact of the NPS-HPL on the UGA objectives. Their key concerns are that the NPS-HPL is likely to restrict the supply of urban land and that the indicative cost benefit analysis (CBA) does not adequately consider this. Treasury also has concerns with the problem definition and rationale for intervention in the Cabinet paper. We have made several changes to the Cabinet papers to address Treasury concerns. Their outstanding concerns are outlined below as they have requested a departmental comment and split recommendation in the Cabinet paper.
21. The departmental comment from Treasury states the proposed NPS-HPL is likely to “*work against the goal of housing affordability set by the Government in its UGA*” and further restrict the supply of urban land as:
- Councils are likely to increase protections including by more than is intended;
  - The NPS-HPL may create more regulatory uncertainty for property developers; and
  - It will increase consideration performed by councils before effect is given to any policy with the intent of freeing up land for housing development.
22. We consider that the concerns expressed by Treasury about the potential impacts of the NPS-HPL to work against housing affordability and restrict land use supply are overstated and potentially misleading. There is no evidence to suggest that councils will provide more protections for highly productive land than what is intended and it is unclear why councils would be incentivised to do so. The potential regulatory uncertainty for property developers is speculative. There is no clear link between increased consideration performed by councils under the draft NPS-HPL and actual restrictions on the supply of urban land.
23. The NPS-HPL policies are clearly aimed at redirecting (rather than constraining) urban growth and are not intended to directly prevent the supply of development capacity to meet demand required under the National Policy Statement for Urban Development Capacity (NPS-UDC). The NPS-HPL is more focused on improved assessment of alternatives, benefits and costs when identifying what areas of rural land should be rezoned to urban use.



24. Accordingly, we consider that the NPS-HPL and UGA can work together to achieve the Government's urban development objectives as well as promoting the best use of our finite highly productive land resource to achieve the best value for New Zealand. This position is shared by Ministry for the Environment and Ministry for Housing and Urban Development officials involved in the UGA, with whom we have been working throughout the policy development process.

*Treasury have concerns about the rationale for intervention*

25. In addition, Treasury are concerned that the proposal "*has a weak problem definition and rationale for intervention*". In our view the problem statement is shaped around ongoing reduction in availability of the finite highly productive land due to urban expansion, fragmentation by lifestyle blocks and ad-hoc urban development. Key drivers include the lack of clarity in the Resource Management Act (RMA) on how highly productive land should be managed and the land use planning framework not adequately considering the long-term productive and sustainability benefits of highly productive land.
26. The commercial land market operates at the individual land parcel level where land use change is heavily weighted towards urban use for greater returns. Therefore the commercial market alone is highly unlikely to adequately recognise and value the long-term benefits of New Zealand's highly productive land. Consequently it is unlikely to be able to act as an effective instrument for maintaining and managing this resource; instead, this needs to be addressed through the planning framework.

**Two options to address the outstanding concerns of Treasury**

27. The split recommendation requested by Treasury is as follows:
- a. *Defer consideration until more targeted options are provided that reduce the risk of restricting housing supply accompanied by a cost benefit analysis that quantifies the costs of restricting urban development, and*
  - b. *Direct the Ministry for Primary Industries to provide targeted options that reduce the risk of restricting housing supply accompanied by a cost benefit analysis.*
28. We have identified and assessed two options to respond to this request (see Appendix Two for further detail).
- a. Option A: Undertake assessment to quantify costs of redirecting urban development, as well as more targeted options to reduce the impact on housing supply prior to public consultation (minimum 12 weeks delay)
  - b. Option B: Continue to Ministerial and cross-party consultation and update CBA following public consultation (recommended option).



29. While the indicative CBA provides a qualitative assessment of the opportunity costs, the potential costs of redirecting urban growth have not been quantified. This was because of the complexity and uncertainty around the analysis, and time constraints. The intention to carry out this assessment as part of the final CBA has been clearly noted in the indicative CBA, Cabinet paper and discussion document.
30. We consider that Option A:
- a. Will not necessarily lead to more informed decision-making and public consultation at this stage in the process; and
  - b. Presents a number of risks to the NPS-HPL work programme and timeframes, including:
    - i. The quantitative assessment of redirecting urban development under the NPS-HPL requested by Treasury will not address their concerns regardless of the results.
    - ii. A standard CBA is subject to numerous limitations and assumptions and may not be able to adequately quantify the opportunity costs associated with permanent loss of a valuable and finite national resource.
    - iii. The consequential delay to timeframes (likely to be several months) will result in a separate public consultation from the NPS-UD. This presents a number of risks including creating a perception of uncoordinated national direction from central government and increased difficulties for stakeholders in understanding the linkages between these two instruments. Changes to timeframes would result in the NPS-HPL not coming into effect until mid-2020 at the earliest.
31. Option B will maintain momentum and support timely public consultation on the NPS-HPL, ideally alongside the proposed NPS-UD. Accordingly, we recommend you undertake Ministerial and cross-party consultation with the Cabinet paper as drafted (including the split recommendation from Treasury).
32. Completing public consultation of the NPS-HPL alongside the proposed NPS-UD will help mitigate the risk of perceived conflicts between the two tools (and with the broader UGA). This will depend on a clear explanation being made on how the two policies could interact.
33. The work required as a part of Option A will still be completed as a part of Option B following public consultation. We consider that this approach will be most efficient and effective to inform final policy decisions on the NPS-HPL, without holding up the work programme.
34. Key risks associated with Option B include:
- a. Challenges around timeframes, particularly due to recess (see paragraphs 32-38 below)
  - b. Cabinet Economic Development Committee, or Cabinet, may not accept a split recommendation and push the proposal back for further assessment, despite the explanation provided by MPI and MfE.

35. To respond to the concerns raised in Treasury's departmental comment and split recommendation, we have drafted a response in the Cabinet paper. Further information can be provided as required.

*Formatting is yet to be completed*

36. We have focused initially on getting the right content in the revised discussion document. While the proposals are out for Ministerial and cross-party consultation, we will further structure the document, to ensure we ask the right questions to get focused feedback from public consultation and to ensure this proposal aligns with the format of other national direction tools under consultation.

### **New timelines and next steps**

37. The following table outlines the next steps in the process for the recommended approach:

| <b>Activity</b>  | <b>Indicative Date</b>            |
|--|-----------------------------------|
| Ministerial and cross-party consultation started   | 27 June 2019                      |
| Lodge Cabinet paper  | 18 July 2019                      |
| Cabinet Committee (DEV)  | 24 July 2019                      |
| Cabinet  | 29 July 2019                      |
| Public consultation  | 5 August – 27 September (8 weeks) |
| Summary of submissions and analysis plus recommendations on changes to the proposed policy | Late November 2019*               |
| Cabinet paper seeking agreement to create NPS (or other tool as appropriate)               | March 2020*                       |
| NPS (or other tool) in force 28 days after gazettal  | April 2020*                       |

\*date dependent on scale and extent of submissions received

38. Even for the recommended approach, Option B, the timeframes to public consultation are very tight. If any of the dates for Ministerial and cross-party consultation, final edits and lodging the Cabinet paper for consideration at Cabinet Economic Development Committee are missed, it will be difficult to meaningfully consult with local authorities before local government elections (12 October 2019). At this stage, consultation will be limited to 8 weeks to close prior to the elections. Delays will have an impact on the ability to deliver the proposed NPS-HPL in the first half of 2020.
39. Meeting these timeframes will require Ministerial and cross-party consultation during recess.
40. Once Ministerial and cross-party consultation has been completed officials will make necessary changes to the Cabinet paper and discussion document, including final proof-reading and formatting.

41. Minister Parker is away on the proposed date for lodgement for the Cabinet paper. To enable the Cabinet paper to be considered at the Cabinet Economic Development Committee on 24 July we recommend Minister O'Connor lodge the paper on 18 July. Officials will work with Minister O'Connor's office to support timely lodgement of the Cabinet paper.
42. If substantial feedback is received through Ministerial and cross-party consultation, we may be able to relieve pressure on timeframes delaying Cabinet Committee consideration slightly *and* extending the public consultation to close after local body elections.
43. If you prefer we complete further work on the CBA now (Option A – not preferred), we will provide further advice on the likely delay to public consultation and the subsequent milestones.

### **Consultation risks are being managed by officials**

*The Minister for the Environment must notify the public and iwi authorities of the proposed national direction prior to consultation*

44. Section 46A of the RMA requires the Minister for the Environment to notify the public and iwi authorities of the proposed national direction and the reasons the proposal is consistent with the purpose of the RMA. If Cabinet agrees to consult, officials will arrange notification online and in the major daily newspapers.
45. Section 46A of the RMA also requires that the public and iwi authorities are given adequate time and opportunity to make submissions on the subject matter of the national direction. We have previously proposed (Briefing Sub19-0032 / 2019-B-05518 refers) a twelve-week public consultation period for written submissions which will end prior to local government elections. We consider eight weeks will provide a minimum amount of time and opportunity for the public, sector and iwi authorities to make informed submissions on the NPS-HPL. With careful management and provision of supporting information and advice this should still meet the statutory obligation.
46. During the consultation period, officials are planning to visit the key centres impacted by the NPS-HPL to meet with iwi, local government and key stakeholders. We will provide a more detailed communications and engagement update closer to the public consultation launch.

## Appendix One: Summary of Minister and agency feedback and response made

|  | Feedback received  | Response in the Cabinet paper   |
|--|--|---|
| The Treasury                                     | <i>Alignment with the Urban Growth Agenda (UGA):</i> Concern that the proposed NPS-HPL's aim to increase protection on highly productive land "work against the goal of housing affordability set by the Government in its UGA".   | MPI and MfE disagree. MHUD see that the two pieces can align through well-designed policy.<br><br><b>Noted:</b> To address these concerns we have added the following paragraphs: <ul style="list-style-type: none"> <li>Paragraph 8 (increased visibility of concerns around alignment with the UGA and the trade-offs required up front in the paper).</li> <li>Paragraphs 63-69 (edits made in consultation with UGA teams to clarify interactions between NPS-HPL and NPS-UD).</li> </ul>   |
|  | <i>Substantial and increasing price differences between urban and rural land:</i> Concerns that regulatory protections have already created a difference between the value of land for housing versus other land uses, and that this needs to be quantified as part of the indicative cost-benefit analysis (CBA). | On advice from our Economics Advisors, the Highly Productive Land officials (MPI and MfE) disagree.<br><br><b>Noted:</b> To address these concerns we have added the following paragraphs: <ul style="list-style-type: none"> <li>Paragraphs 27-30 (clarification of the problem, including around failure of the planning framework (rather than the land market directly) to consider the value of highly productive land and where land price differentials are seen in this).</li> <li>Paragraphs 73 and 78 (brought forward discussion on the limitations of the CBA around opportunity costs for landowners not being monetised / quantified at this stage).</li> </ul> |
|  | <i>Weak problem definition:</i> Expressed that the NPS-HPL has a weak problem definition and rationale for intervention. This creates risks of low benefits, high costs, unintended consequences, and risks to achieving other policy objectives.  | Highly Productive Land officials (MPI and MfE) disagree.<br><br><b>Noted,</b> no change to paper. The problem statement and rationale for intervention is already articulated in the Cabinet paper. We will be seeking further evidence on the problem definition and rationale through public consultation.  |
| Ministry of Housing and Urban Development (MHUD) | <i>Urban Growth Agenda (UGA) work programme:</i> Reiterated their view the NPS-HPL provisions for how urban growth impacts on highly productive land could be incorporated into the Proposed National Policy Statement for Urban Development (NPS-UD), rather than as a separate tool.                             | <b>Noted and partially adopted.</b> See p27 / section 4.3 of the <a href="#">discussion document</a> for wording noting the two tools could be merged in the future.  |
|  | <i>The NPS-HPL's problem definition:</i> Expressed that the problem definition needs to be reframed so that the underlying challenge is competing land use needs (including both urban expansion and other forms of rural land use).   | <b>Partially adopted:</b> Problem definition amended to include "uncoordinated" urban expansion. The NPS-HPL policy refers to broader primary production (i.e. it is  |

|                              | Feedback received  | Response in the Cabinet paper                         |
|------------------------------|--|---|
|                              |  | agnostic to the type of primary production activity). |
|                              | <p>Minor edits to improve accuracy and clarity on the following topics or concerns:</p> <ul style="list-style-type: none"> <li>• Scope of the NPS-UD and interactions between the proposed NPS-UD and NPS-HPL.</li> <li>• Implementation timeframes of the policies.</li> <li>• Evidence regarding the requirement for councils to provide urban development capacity under the NPS-UDC is contributing to continued urban expansion onto highly productive land.</li> <li>• Consistency of terminology with NPS-UD terminology.</li> <li>• 'No go' areas in future development strategies (from the NPS-UDC) would not be sufficient to effectively manage the impact on highly productive land.</li> <li>• Highlight that work is also progressing across the UGA in establishing partnerships between various stakeholders and in other centres beyond Auckland.</li> </ul> <p>Costing for mapping of highly productive land is a shortcoming of the indicative cost-benefit analysis report.</p> | <b>Adopted.</b>                                       |
| Minister for the Environment | <i>The scope of the NPS-HPL on certain types of land:</i> Sought clarification on whether the NPS-HPL would apply to areas identified as 'future urban areas' through a council-led strategic planning process, and to 'future urban zones' identified through a RMA plan change process.  | <b>Adopted.</b> See paragraphs 54-56.                 |
|                              | <i>The rights and restrictions of private property owners:</i> Requested addition of paragraph to explain that the private property right of a land owner does not include the right to change the use of their land.  | <b>Adopted.</b> See paragraph 35.                     |
|                              | <i>Limitations of the indicative cost-benefit analysis (CBA):</i> Requested addition of paragraph to explain that the CBA gives no monetary value to the intrinsic value of natural capital in the form of protection of highly productive land.   | <b>Adopted.</b> See paragraph 72.                     |

## Appendix Two: Options to respond to Treasury split recommendation

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*Option A: Undertake assessment to quantify costs of redirecting urban development, as well as more targeted options to reduce the impact on housing supply prior to public consultation (minimum 12 weeks delay)*

1. Quantifying the potential costs of *redirecting* urban development under the NPS-HPL is a complex exercise. We had anticipated undertaking this more detailed work as part of the final CBA following consultation (Option B), which is consistent with that undertaken and proposed for other national direction.
2. As a minimum, we anticipate a quantitative assessment of *redirecting* urban development would take four weeks for economic specialists to complete. However, it would result in a delay of at least twelve weeks to scope and procure the work, review findings, update relevant documents (including policy if appropriate) and engage with Treasury on the approach and findings. It will involve a number of complexities and the results would be subject to uncertainties and limitations (particularly if this was undertaken over a compressed timeframe).
3. While the indicative CBA provides a qualitative assessment of the opportunity costs, the potential costs of redirecting urban growth have not been quantified. This was because of the complexity and uncertainty around the analysis, and time constraints. The intention to carry out this assessment as part of the final CBA has been clearly noted in the indicative CBA, Cabinet paper and discussion document.
4. Providing a robust assessment of the potential costs of *redirecting* urban growth requires a detailed understanding of demand, supply and sufficiency to meet demand for growth within a particular urban area. Understanding the sufficiency of existing and future urban zones to cater for projected urban demand over the longer term, where future urban expansion may go, and when that expansion is likely to occur is a complex and data intensive exercise. The focus of the indicative CBA was therefore on assessing the impacts of the NPS-HPL on lifestyle development as this has a relatively steady (and predictable) rate of growth and potential to result in a much greater loss of highly productive land compared to urban expansion.
5. Understanding the potential costs of *redirecting* urban growth under the NPS-HPL is further complicated by the flexibility it provides councils in how they provide for urban growth and the fact it will not prevent councils from providing for development capacity to meet demand. It can therefore not be assumed that the NPS-HPL will simply restrict or constrain urban growth. Rather the analysis needs to consider how councils are likely to respond to the NPS-HPL and balance this with other trade-offs.
6. We expect that quantifying the costs of *redirecting* urban development in the CBA will need to adopt a case study approach and, at a minimum, involve a detailed assessment of:



- a. The scale, timing and location of potential urban growth;
  - b. An understanding highly productive land in the case study area and how the council may identify and protect highly productive land;
  - c. Identifying any overlaps of potential growth areas and highly productive land;
  - d. Consideration of the trade-offs councils may consider where potential growth areas overlap with highly productive land (recognising that they must provide for urban development capacity to meet demand); and
  - e. Quantifying the potential costs of relocating any proposed urban area to non-highly productive land where consideration of the trade-offs indicate that urban areas are likely to be redirected.
7. We would also recommend that this analysis involve discussions with the case study councils to better understand future urban growth patterns and constraints and how they are likely to respond to the NPS-HPL (and other relevant national direction). For these reasons, this analysis will require time to ensure the findings are accurate and inform meaningful decisions on the final NPS-HPL policy. The Treasury has also recommended that more targeted options are considered that reduce the risk of restricting housing supply. Given the flexibility to provide for urban growth in the NPS-HPL, the most obvious option to consider is different options for the default definition of highly productive land. The default definition of highly productive land currently proposed is land classed 1-3 under the Land Use Capability (LUC) classification system. LUC Class 1-2 or 1 could be assessed as alternative options for the default definition. However, it is important to note that this would only cover the interim period (up to three years) until regional councils undertake the process to identify highly productive land in accordance with the NPS-HPL.
8. Overall, we consider that Option A presents a number of risks to the NPS-HPL work programme and timeframes and will not necessarily lead to more informed decision-making and public consultation. Key risks include:
  - a. The quantitative assessment of *redirecting* urban development under the NPS-HPL requested by Treasury will not address their concerns regardless of the results.
  - b. A standard CBA is subject to numerous limitations and assumptions and may not be able to adequately quantify the opportunity costs associated with permanent loss of a valuable and finite national resource.
  - c. The consequential delay to timeframes (likely to be several months) will result in a separate public consultation from the NPS-UD. This presents a number of risks including creating a perception of unco-ordinated national direction from central government and increased difficulties for stakeholders in understanding the linkages between these two instruments. Changes to timeframes would result in the NPS-HPL not coming into effect until mid-2020 at the earliest.



*Option B: Continue to Ministerial and cross-party consultation and update the CBA following public consultation (recommended approach)*

9. For the reasons outlined above, we do not believe the assessment outlined in Option A is necessary to support effective public consultation on the NPS-HPL and presents a number of risks to the further development of this policy.
10. To maintain momentum and support timely public consultation on the NPS-HPL, ideally alongside the proposed NPS-UD. Accordingly, we recommend you undertake Ministerial and cross-party consultation with the Cabinet paper as drafted (including the split recommendation from Treasury).
11. To respond to the concerns raised in Treasury's departmental comment and split recommendation, we have drafted a response in the Cabinet paper. Further information can be provided as required.
12. Note that the work outlined above in Option A will be completed alongside and be informed by public consultation. We consider that this approach will be most efficient and effective to inform final policy decisions on the NPS-HPL.

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**Appendix Three: Draft Cabinet paper on proposed NPS-HPL**

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**Appendix Four: Draft discussion document on proposed NPS-HPL**

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**Appendix Five: Draft summary of the discussion document on proposed NPS-HPL**

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