

[In Confidence]

Office of the Minister of Housing

Office of the Minister for the Environment

Cabinet Economic Development Committee

Agreement to an Order in Council directing Rotorua District Council to notify an Intensification Planning Instrument

Proposal

- 1 This paper seeks agreement to our proposal to issue an Order in Council directing Rotorua District Council to notify an Intensification Planning Instrument. This will implement the Medium Density Residential Standards and give effect to the National Policy Statement on Urban Development, under the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021.

Relation to government priorities

- 2 “Laying the Foundations for the Future” is one of the Government’s three overarching priorities. Within this priority, the Government is committed in this term to addressing some of the country’s long-standing difficult issues, including housing affordability.
- 3 The Government is working with Rotorua District Council, iwi and community groups to address the spectrum of housing issues in the district, from emergency housing to urban development and planning.

Background

- 4 On 20 December 2021 the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act 2021 (the Act) was passed. This Act brings forward and strengthens the National Policy Statement on Urban Development 2020 (NPS-UD) by introducing the Medium Density Residential Standards (MDRS) and the Intensification Streamlined Planning Process (ISPP). Together these measures will help to increase the supply of housing where demand is high to make housing more affordable for New Zealanders.
- 5 The Act applies to Tier 1 councils¹ under the NPS-UD. It also gives me the power to issue an Order in Council (OIC) to direct a Tier 2 Council² to notify an Intensification Planning Instrument (IPI) to implement the MDRS, if the Minister for the Environment determines the district is experiencing an acute

¹ Auckland, greater Hamilton, Tauranga, Wellington and Christchurch.

² Whangārei, Rotorua, Napier, Hastings, New Plymouth, Palmerston North, Nelson, Tasman, Queenstown and Dunedin.

housing need. Before an OIC can be issued the Minister of Housing and Minister for Māori-Crown Relations: Te Arawhiti must be consulted.

- 6 For the purposes of determining whether a district is experiencing an acute housing need, the median multiple in that district must be considered (that is, the median house price divided by the median gross annual household income) along with any other information that indicates there is an acute housing need in the area.

Analysis

- 7 Rotorua District Council (RDC) jointly submitted on the draft Bill at Select Committee with their partners Te Arawa Lakes Trust and Te Tatau o Te Arawa³. They requested to be directed to implement the MDRS, citing an acute housing need in the city that disproportionately is affecting Māori residents. RDC is also known as Rotorua Lakes Council.
- 8 The three partners have since confirmed in writing that they request an OIC be created to *“implement the MDRS intensification plan changes in line with our NPS-UD requirements as soon as practicably possible”*. This request was supported by a letter from the Rotorua Chamber of Commerce. These letters are attached as Annex A and B to this paper.
- 9 We are seeking Cabinet’s approval to issue an OIC to direct RDC to notify an IPI. The Act sets out that for an OIC created before 21 March 2022, the IPI must be publicly notified by 20 August 2022. A direction will subsequently be issued setting out further process timeframes. Officials will work with RDC to determine feasible timeframes, which will then be put into a direction.
- 10 Key data shows that housing is increasingly unaffordable in Rotorua with a median multiple of 8.27 in 2021. There is high demand for housing assistance (Public, Emergency and Temporary Housing), the Housing Register reached 861 in Q3 2021, and Emergency Housing Special Needs Grant Recipients reached 581.
- 11 Poor development economics (the price-cost ratio which measure the gap between the cost to build a house and the cost of the infrastructure-serviced section the house is constructed on was 1.69 in 2021) are limiting construction of new homes and planning rules currently constrain housing supply resulting in a low rate of consents for new homes, just 3.8 per 1000 residents in year to October 2021.
- 12 We are satisfied that the district is experiencing acute housing need. The Minister for Māori-Crown Relations: Te Arawhiti has noted this assessment and the disproportionate impact on Māori.

³ Te Arawa Lakes Trust is responsible for the oversight and management of Te Arawa’s settlement assets, including the region’s 14 lakes. Te Tatau o Te Arawa is a formal partnership entity between Te Arawa and Rotorua Lakes Council to strengthen Te Arawa’s participation in Council decision-making and enhance outcomes for local Māori.

- 13 We need to move quickly to ensure planning barriers to building more housing supply in Rotorua are removed as soon as possible. Many residents need the new homes that the MDRS will enable. RDC also needs an OIC as soon as possible to undertake necessary preparations with urgency to produce an IPI to implement the MDRS.

Implementation

- 14 We intend for an OIC to be issued by the Governor General on or before 21 March 2022.
- 15 The MDRS would have effect in Rotorua by August 2022 when RDC notifies an IPI.

Financial Implications

- 16 This paper has no financial implications.

Legislative Implications

- 17 The regulations made by Order in Council are considered secondary legislation and will be drafted by Parliamentary Counsel Office. Parliamentary Counsel Office has been consulted about this work, and has confirmed that the Order in Council can be drafted following approval of the policy decision to do so.

Impact Analysis

Regulatory Impact Statement

- 18 A Regulatory Impact Statement (RIS) has been prepared for this paper and is attached as **Annex C**.
- 19 A Quality Assurance Panel from Te Tūāpapa Kura Kāinga and the Ministry for the Environment reviewed the attached regulatory impact statement. The Panel considers the RIS partially meets the quality assurance criteria, as it concludes the assessment is complete clear and convincing. The analysis of costs, benefits and other impacts is framed by assessment criteria based on the intended outcomes of the policy intervention. The RIS presents evidence that Rotorua is experiencing an acute housing need – which is a key pre-requisite for regulatory intervention. The RIS acknowledges that modelling has not been carried out on the likely increase in housing supply that will arise from the regulatory change but references other evidence that infers the anticipated impact. The RIS also acknowledges public consultation has not taken place. While key institutional stakeholders including the RDC, iwi partners (Te Tatau o Te Arawa, Te Arawa Lakes Trust) and the Rotorua Business Chamber support the proposed Order in Council requiring RDC to undertake an Intensification streamlined planning process, the Panel considers wider engagement with affected parties would have been desirable.

Climate Implications of Policy Assessment

- 20 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

- 21 Overall, the proposal has the potential to provide the population with a larger variety of housing that suits their social, cultural, and wellbeing needs and keep them connected to their communities.
- 22 As the proposal intends to increase housing choice in existing residential areas, this may enable older people to “age in place” in communities. The measures will also have positive impacts for disabled people if done in a way that considers their particular access needs.
- 23 Enabling more flexibility within current residential zones is likely to also have benefits for Māori and Pacific peoples by:
- 23.1 providing opportunities to build additional units on current residential properties to support extended family living
 - 23.2 providing opportunities to reduce overcrowding and improve health outcomes.
- 24 Māori are disproportionately impacted by the acute housing need in Rotorua, facing significant issues with homelessness, overcrowding, and need for housing assistance (Emergency Housing Special Needs Grants, Temporary Housing and Public Housing).
- 25 The MDRS will significantly increase the amount of housing supply including Public and Transitional Housing that Kāinga Ora and Community Housing Providers can build. The MDRS will contribute to providing much needed homes for communities.
- 26 The Act also allows for RDC to apply the MDRS in rural areas on whenua Māori and enables the development of planning rules for Papakāinga.

Human Rights

- 27 This paper has no human rights implications.

Consultation

- 28 Te Tuāpapa Kura Kāinga and the Ministry for the Environment have consulted with Te Arawhiti, Department of Conservation, Department of Internal Affairs, Kāinga Ora (who expressed support). The Department of Prime Minister and Cabinet was informed.
- 29 RDC was consulted on the policy matters in this paper.

- 30 The Minister for Māori-Crown Relations: Te Arawhiti is pleased that the request for the OIC has been made in partnership with Te Arawa Lakes Trust and Te Tatau o Te Arawa, and requests RDC continues to engage relevant iwi/ Māori as the IPI is prepared, with the results of this engagement reported back to us. He has also requested that RDC ensures the MDRS supports District Plan Māori land and papakāinga housing provisions.
- 31 I (Minister Parker) will pass on these requests to RDC in writing, highlighting the relevant sections of the Act which enable papakāinga to be considered in the scope of the IPI and iwi/ Māori engagement in the preparation of the IPI through the ISPP.

Communications

- 32 I propose that the Minister of Housing and the Minister for the Environment announce the decision to direct RDC via an OIC to prepare an IPI to implement the MDRS in Rotorua at an appropriate time.

Proactive Release

- 33 I intend to proactively release this paper within 30 business days.

Recommendations

The Minister for the Environment recommends that the Committee:

- 1 **note** that the Resource Management (Enabling Housing Supply and Other Matters) Amendment Act (the Act) is a key element of the Government's work to end Aotearoa New Zealand's housing crisis
- 2 **note** that the Act gives the Minister for the Environment the power to issue an Order in Council to direct a Tier 2 Council to notify an Intensification Planning Instrument to implement the medium density residential standards if the Minister determines the district is experiencing an acute housing need
- 3 **note** that Rotorua District Council, Te Arawa Lakes Trust and Te Tatau o Te Arawa (with the support of the Rotorua Chamber of Commerce) have requested the council be directed to notify an Intensification Planning Instrument
- 4 **note** that Rotorua is experiencing an acute housing need as is demonstrated by; its increasingly unaffordable housing market, high demand for housing assistance (Public, Emergency and Temporary Housing), poor development economics limiting construction of new homes, and planning rules that constrain supply resulting in a low rate of consents for new homes
- 5 **note** that the Minister of Housing and the Minister for Māori-Crown Relations: Te Arawhiti agree that an Order in Council should be issued directing Rotorua District Council to notify an IPI to implement the MDRS

- 6 **agree** to this proposal to issue an Order in Council directing Rotorua District Council to prepare and notify an Intensification Planning Instrument and implement other requirements in the Act
- 7 **authorise** the Minister for Environment to further clarify policy decisions set out above, including minor and technical matters, in line with the policy decisions agreed by Cabinet

Authorised for lodgement

Hon Dr Megan Woods

Minister of Housing

Hon David Parker

Minister for the Environment

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**Annex A [letter from Rotorua Lakes Council, Te Arawa Lakes Trust and Te Tatau
o Te Arawa]**

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THE OFFICE OF THE MAYOR

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LAKES COUNCIL**
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16 December 2021

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Tēnā koe Minister

Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill

As representatives of Rotorua Lakes Council, Te Tatau o Te Arawa and the Te Arawa Lakes Trust we are following the progress of the Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill with great interest. Our organisations made the decision to present as one when we made our submissions at the recent hearings because we collectively share the view that our city is suffering acute housing needs.

We can confirm that we are continuing with our individual and collective efforts to address our District's acute housing needs, working in partnership with Government agencies and other local stakeholders.

In line with this kaupapa, we would like to extend again our request that Rotorua Lakes Council, as a Tier 2 council, be included through an Order of Council for inclusion under the Resource Management (Enabling Housing Supply and Other Matters) Amendment, to implement the MDRS intensification plan changes in line with our NPS-UD requirements as soon as practicably possible.

As required under the NPS-UD, Council's Housing and Business Development Capacity Assessment (HBA) has now been completed and we will be seeking to amend our District Plan, with the Housing Bottom Lines, which include having sufficient zoned, infrastructure-served, feasible development capacity to meet:

- in the short term (2020-2023) an additional 3560 dwellings
- in the medium term (2020-2030) an additional 6,240 dwellings, and
- in the long term (2020-2050) an additional 9,740 dwellings

The significant number of new homes required, in the short term, highlights the necessity for us to collectively support all initiatives and opportunities to boost the supply of homes in our community immediately.

Council recognises that decades of limited to zero growth has meant that many planning provisions have been rolled over in successive District Plan reviews. Planning provisions are now too restrictive and outdated, preventing affordable housing and limiting housing typologies needed into the future e.g. smaller (1 or 2 bedroom) dwellings. This planning deficit has led to an inadequate supply response to the recent major shift in demand. In addition to worsening purchase affordability there is limited availability and affordability of rentals in our community, due to the lack of supply.

While subdivision and housing development has begun to respond, it is recognised by us all that the significant deficit that currently exists has resulted in the high numbers of people being housed in motels as emergency accommodation. We agree that the fast track provisions and medium density residential standards are necessary to provide a rapid step change in development opportunities.


We are also very aware that Rotorua's challenges extend beyond simply housing, and are supportive of the views shared in a recent letter sent by the Rotorua Chamber of Commerce to Minister Woods in support of Rotorua's involvement with the Bill. We acknowledge the opportunities for sustainable business development and growth that will accrue from the building of homes and of how the improved adequacy of housing for new employees across a range of businesses, will support the growth of our local economy.

Attached is a brief annex providing further information on the scale of Rotorua's acute housing needs. Given this evidence, we strongly believe the MDRS provides the rapid step change required and that it will support other measures underway and planned.

The partnership approach that underpins the kaupapa of all working in and for Rotorua will now need to be focused on developing a new 50 year direction for the development of the city and more specifically intensification plan changes and renewed efforts to create a thriving inner city.

As a valued partner, we thank you for considering this request for Rotorua's inclusion in the provisions of the Amendment.

Nāku noa, nā



Hon Steve Chadwick JP
Mayor



Te Taru White
Chair
Te Tatau o Te Arawa Board



Sir Toby Curtis
Chair
Te Arawa Lakes Trust

Annex 1 - Rotorua acute housing needs evidence

Evidence of acute housing needs – comparing Rotorua Lakes Council to other Territorial Authorities with data supplied by the Ministry of Housing and Urban Development:

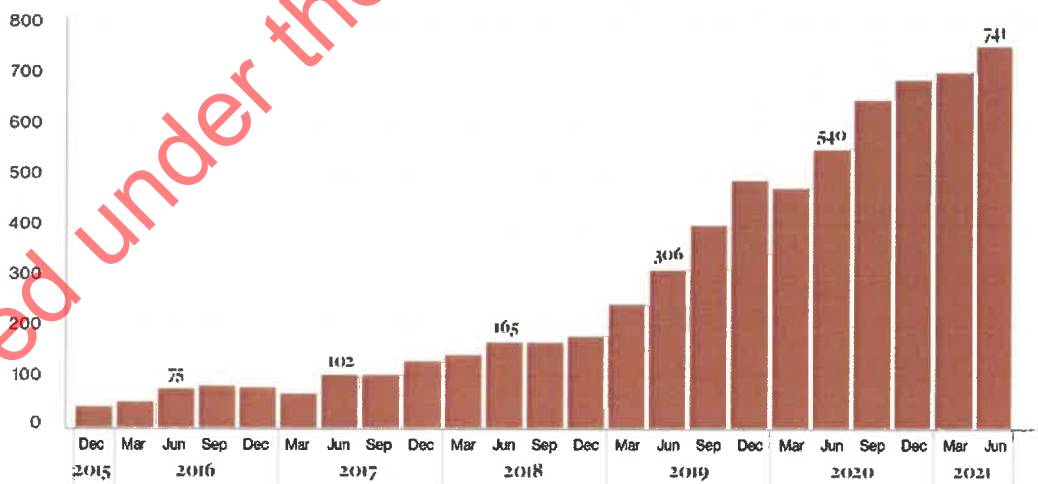
- Top quartile – 96 people on housing register per 10k pop, June '21
- Top quartile – 132 people per 10k as number severely housing deprived, Census 2018
- Top quartile – 31% of households spending over 40% on rent, Census 2018
- Top quartile – 25% of Maori in crowded households, Census 2018
- Top quartile – 32% Maori homeowners, Census 2018
- Second quartile - House sale price to income ratio, June 2021 – 8.6 – almost double the ratio of 4.4 from March 2015

In addition, fewer than 30% of Te Arawa iwi members own their home which is less than half the rate for the for the population as a whole. ¹

In addition to worsening purchase affordability the key challenge for Rotorua is the availability and affordability of rentals. This is due to the lack of supply which the outdated and restrictive planning rules have contributed to:

- Population has increased by 8,850 (12.9%) since 2013 (2013-2020), but the supply of dwellings has not responded.
- Consents per 1,000 population is one of the lowest in the country at 3.8 per 1,000 (second lowest of all Tier 2's – Dunedin 3.7).
- The shortfall of housing has contributed to the high number of applicants on the public housing register and those unable to find accommodation and living in motels (ENSNGs and Contracted).

Rotorua housing register in the last six years



Source: MSD Housing Register 2021

¹ <https://tewhata.io/te-arawa-collective/>

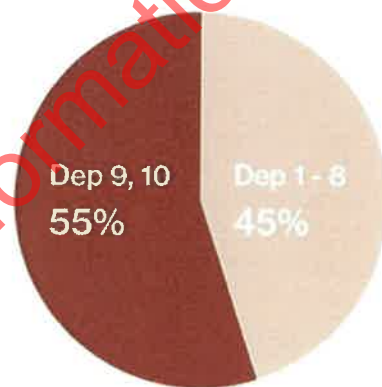
- A significant shortfall of smaller homes is increasing rental stress for single adults and retired renters. There are few one bed homes available for rent meaning single adults and retired renters need to share accommodation or compete with families for larger homes.
- MSD data on accommodation supplement shows there are more than 650 renting superannuitants receiving the supplement who are paying unaffordable (>30% income) rents. The number of households reaching retirement and still renting is likely to rise over time, further increasing demand for smaller affordable rentals.
- Significant deprivation and benefit levels:

Rotorua

Deprivation levels by total population



Maori deprivation levels

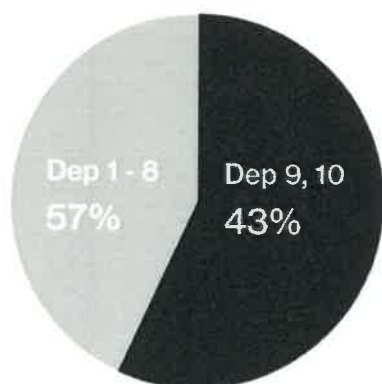


Aotearoa

Deprivation levels by total population



Maori deprivation levels



Source: Atkinson, J., Crampton, P. & Salmon, C. (2021, March 30). NZDep2018: Analysis of census 2018 variables - Overall (New Zealand). New Zealand Deprivation Index 2018. University of Otago.

Annex B [letter from the Rotorua Chamber of Commerce)

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10th November 2021

Hon Dr Megan Woods
Minister of Housing

Hon Steve Chadwick JP
Mayor
Rotorua Lakes Council

Tena Korua Minister and Steve

Chamber Support for Major Rotorua Recovery Plan

Our Rotorua Chamber of Commerce Board met yesterday morning (Tuesday 9 November) for our monthly board meeting.

I have been asked to convey our board's unanimous and unequivocal support for the actions which are currently under discussion and development in Rotorua.

The Chamber board supports and endorses the following proactive actions to help Rotorua re-establish itself at the forefront of the NZ Tourism industry for the next fifty years:

1. The proposal to apply the proposed Tier One city medium density housing rules right across the Rotorua Urban areas, allowing three units per section.
2. The planned and controlled conversion of much of the Rotorua CBD to high density residential usage and building of new five-star hotels.
3. The establishment of Priority Development Areas (PDA's) with detailed development plans for each PDA.
4. The application by Rotorua Lakes Council to Central Government's Infrastructure Acceleration Fund for \$90 million of additional funding to underpin the infrastructure necessary to support items 1-3 above.
5. The need to proceed with all the above with speed and precision, to avoid further damage to Rotorua's image as a prime tourism destination and to start rebuilding our brand on a national and international stage

We are committed to supporting the moves underway to implement positive and proactive solutions and to be an active co-leader for the recovery of our beautiful city.

Whakawhetai ki a koe mo to whakaaro



Bryce Heard
Chief Executive

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