



Briefing

NPS-UD initial preferred policy approach post-consultation

For: Hon Phil Twyford, Minister for Urban Development
Hon David Parker, Minister for the Environment

Date: 5 February 2020

Security level: In Confidence

Priority: Medium

Report number: BRF19/20010543 and 2020-B-06424

Purpose

1. To provide an update on the initial preferred policy approaches on key elements of the National Policy Statement on Urban Development (NPS-UD). This will inform discussion with officials on February 11, 2020, where we will seek your direction to inform our final recommendations in March and further targeted engagement.

Executive summary

2. The proposed National Policy Statement on Urban Development (NPS-UD) forms part of the Urban Growth Agenda (UGA) which aims to address the fundamentals of land supply, development capacity, and infrastructure provision to create the conditions for the market to respond to growth and bring down the high costs of urban land.
3. The NPS-UD will enable growth, both up and out, and help ensure planning that is strategic and responsive to demand and enables well-connected growth. This will, in turn, lead to improved mobility and more dynamic land use.
4. In December 2019, we provided advice [BRF19/20110512 and 2019-B-06275 refers] on submissions received through consultation on the NPS-UD and key issues identified.
5. Based on this analysis and subsequent engagement with the Technical Advisory Panel, preferred policy approaches to better achieve the ambition of the NPS UD and address both technical and policy issues have been identified.
6. These fall into three categories: A) Refined version of policy consulted on for clarity or to address technical issues, B) More substantive changes to better achieve the intent of the policy and broader NPS-UD objectives and C) options that will require further policy work and engagement to explore policy approaches.
7. Officials are working through technical issues for policies in category A above but are confident with the preferred policy approach. We will report on these in the recommendations report delivered on 5 March. Two areas in this category are highlighted further because they require policy decisions (car parking) or further engagement (policies relating to taking into account issues of concern iwi and hapū).
8. We consulted on three options for carparking. The preferred approach is removing the ability of local authorities to set minimum car park requirements, in all zones. This is supported by initial Cost Benefit Analysis which demonstrated the benefits of decoupling the cost of car parking from housing and other developments is high.
9. Officials are undertaking further engagement on policy relating taking into account issues of concern to iwi and hapū. To ensure this policy is robust and is informed by engagement with

iwi who hold mana whenua over land within all the proposed major urban centres, we have reached out to Ngāti Toa Rangatira and Taranaki Whānui for Wellington and are seeking appropriate contacts for Tauranga iwi because we did not receive submissions from iwi in these locations.

10. For category B, we are seeking your feedback on the substantive elements of the preferred approaches identified, noting further work will be undertaken to ensure their effectiveness. Key changes in these areas are:
 - **Describing quality urban environment** - A move to “well-functioning” urban environment, plus a policy which recognises the benefits of urban development
 - **Providing for intensification policies relating to Major Urban Centres (MUCs)** - Maintain general intensification requirements for all councils, while having a mixture of descriptive and prescriptive rules for MUCs, linked to access to key centres and public transport.
 - **Enabling further greenfield development** - A new policy objective on responsive planning and requirement that local authorities must have particular regard to any plan changes that provide significant additional development capacity (not just greenfield developments) and engage development community on Future Development Strategy reviews.
 - **Addressing climate change** - Adding an objective to explicitly recognise climate change impacts.
11. For category C, we have identified further options to achieve better the intent of the policy based on additional evidence and analysis. We are seeking your agreement to undertake further analysis and engagement on these options. In particular, these are:
 - **Targeting of policies to different local authorities** – an enhanced version of the status quo – major urban, medium growth and all urban environments.
 - **Housing and Business Assessments policy (including margins)**– explore options of maintaining what was consulted on and lifting margins or developing a model where margins are adjusted based on indicators.
12. The amendments proposed to policies are interdependent and will better ensure the ambition of the NPS UD is achieved within the current resource management legislative framework. Annex 1 illustrates how the cumulative impact of these policies will support the governments’ urban development objectives.
13. Further work is being undertaken on the timing of requirements, implementation, enforcement and engagement; Treaty of Waitangi settlement commitments; interactions with other national direction; and further directive intervention. Officials will report back on these areas in March.
14. Following the meeting on 11 February, officials will continue policy work to inform a first draft ministerial consultation pack, including recommendations report and draft NPS-UD on 5 March. This will inform gazettal of the NPS-UD in July. This is a challenging deadline and slippage in the process may jeopardize the ability to meet it. We propose further meetings with you in March, April and May to ensure this deadline is met.

Recommended actions

15. It is recommended that you:

1. **Note** the initial preferred policy approaches are to more effectively achieve the ambition of policies consulted on in the discussion document *Noted*
2. **Agree** to discuss the initial preferred policy approaches and next steps with officials on 11 February 2020 *Agree/Disagree*
3. **Agree** to the broad direction of preferred policy approaches for the Category A matters in Annex 2 *Agree/Disagree*
4. **Agree** to the preferred policy approaches for the following areas (ie Category B matters), noting further work is required to land technical details:
 - Describing quality urban environments *Agree/Disagree*
 - Providing for intensification policies relating to Major Urban Centres (MUCs) *Agree/Disagree*
 - Enabling further greenfield development *Agree/Disagree*
 - Addressing climate change *Agree/Disagree*
5. **Agree** that officials undertake further analysis and engagement to consider alternative policy options for the following Category C matters:
 - Targeting of policies to different local authorities *Agree/Disagree*
 - HBA and margins policy *Agree/Disagree*
6. **Note** timeframes for key deliverables toward the gazettal of the National Policy Statement on Urban Development in July 2020:
 - 5 March: Minister recommendations pack - Recommendations report, draft NPS-UD and Section 32
 - Mid-April: Draft Ministerial consultation pack: Cover briefing, Draft Cabinet Paper, Regulatory impact Statement, Section 32 and NPS-UD
 - June: Final Cabinet Paper: Cover briefing, Cabinet Paper, Regulatory Impact Statement and NPS-UD.
 - Gazettal of the National Policy Statement on Urban Development in July 2020 *Noted*

7. **Note** officials are working with multiple agencies to refine policy drafting to achieve agreed intent
8. **Note** that officials will report back on National Policy Statements and treaty settlement obligations in March 2020

Noted

Noted



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Background

16. The proposed National Policy Statement on Urban Development (NPS-UD) will provide national direction under the Resource Management Act 1991 (RMA) and replace the National Policy Statement on Urban Development Capacity 2016 (NPS-UDC).
17. In doing so, the NPS-UD broadens focus of the NPS UDC beyond urban development capacity to include important matters that contribute to well-functioning and liveable urban environments. It will enable growth, both up and out, by requiring councils to provide development capacity to meet the diverse demands of communities, address overly restrictive rules, and encourage well-functioning, liveable urban environments. This will help ensure planning that is strategic and responsive to demand and enables well-connected growth, in turn leading to improved mobility and more dynamic land use.
18. The NPS-UD is part of the Urban Growth Agenda (UGA) which aims to address the fundamentals of land supply, development capacity, and infrastructure provision to create the conditions for the market to respond to growth and bring down the high costs of urban land. In particular, the NPS-UD will be supported through the UGA by new tools for infrastructure funding and financing, investment in modern multi-modal transport systems and stronger partnerships between central and local government, and iwi, hapū and communities.

Consultation on a draft NPS UD

19. The Ministry of Housing and Urban Development (HUD) and Ministry for the Environment (MfE) consulted publicly on the NPS-UD from 21 August until 10 October 2019.
20. The draft discussion document consulted on contained objectives and policies in four key areas: future development strategies, making room for growth, evidence for decision-making and processes for engaging on planning (figure one). Cumulatively these would achieve higher-order objectives of the NPS-UD.

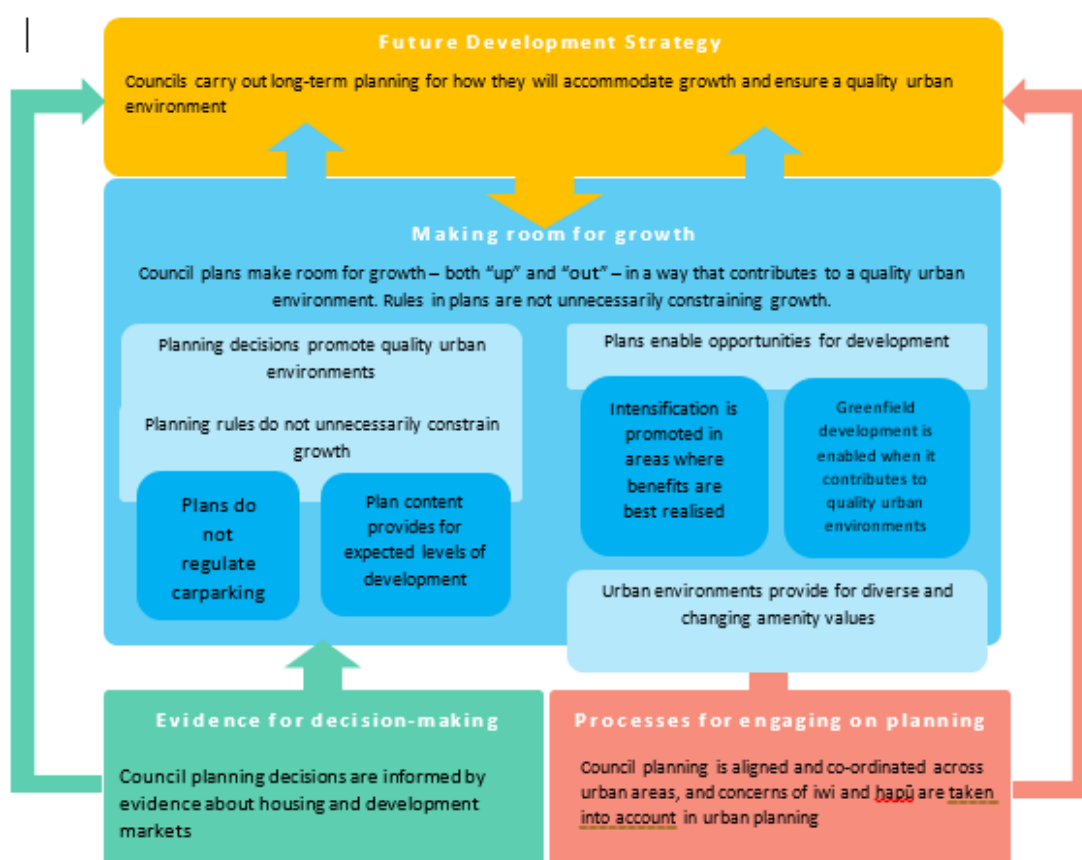


Figure one: interaction between NPS UD policies

21. In December 2019 we provided advice [BRF19/20110512 and 2019-B-06275 refers] on submissions received through this consultation, and key issues identified through subsequent analysis to discuss with you in February 2020.
22. Since then, further policy analysis has been undertaken, and officials met with the Technical Advisory Panel (the TAP) in early December 2019 and January 2020 to discuss and test proposed policy approaches. This follows the process agreed with Ministers under section 46A(4) of the RMA.

Proposed policy approaches better achieve the aims of the NPS-UD

23. By addressing technical and policy issues, the amendments proposed to policies as consulted will collectively better ensure the ambition of the NPS UD is achieved within the current resource management legislative framework.
24. The preferred policy approaches fall into three categories, per below and outlined in Annex 2:

a) Refined version of policy consulted on for clarity or to address technical issues	<ul style="list-style-type: none"> - Amenity values in urban environments - Ensuring plan content provides for expected levels of development - Future Development Strategy - Enabling opportunities for development (development capacity) - Engagement and coordination across local authority boundaries - Removing minimum car parking requirements - Taking into account issues of concern to iwi and hapū
b) More substantive changes to better achieve the intent of the policy and broader NPS-UD	<ul style="list-style-type: none"> - Describing quality urban environments - Providing for intensification policies relating to Major Urban Centres (MUCs) - Enabling further greenfield development - Addressing climate change
c) Areas that will require further policy work and engagement to explore policy options	<ul style="list-style-type: none"> - Targeting of policies to different local authorities - Housing and Business Assessment policy (including margins)

25. Importantly, while the policies above are discussed separately in this report, they are interdependent and will have a greater cumulative impact than is evident when viewed in isolation. **Annex 1** illustrates how the cumulative impact of these policies will support the governments' urban development objectives.

Category A matters: Refined version of policy consulted on

26. Several minor amendments will be recommended to policies consulted on. This maintains the substantive policy approach consulted on in October 2019 but addresses technical areas that may negatively impact the interpretation of the policy by decision-makers, address loopholes or provide greater clarity of policy intent.
27. Officials will report on proposed amendments to address these issues in the final recommendations report in March 2020. A summary of these policies is outlined in **Annex two**.

28. The proposed policy approaches consulted on for car parking and engagement with iwi and hapū are likely to be substantially maintained but are briefly discussed below because they require a significant policy choice (car parking) or further engagement (iwi and hapū).

Officials' preferred policy approach is to remove minimum car parking standards in all zones

29. The use of minimum car parking requirements, particularly in major urban centres, has led to inefficient use of urban land and price distortions.
30. The discussion document proposed policies that would limit the ability of local authorities in major urban centres to regulate the number of car parks required for development. The intent is to achieve more efficient land use, more space for housing, and reduced development costs.
31. Three policy options were consulted on that would apply to MUCs:
- **Option 1:** removing the ability of local authorities to regulate the requisite number of car parks (neither minimums nor maximums), in all zones
 - **Option 2:** removing the ability of local authorities to set minimum car park requirements, in all zones
 - **Option 3:** removing the ability of local authorities to set minimum car park requirements in certain zones, providing for more intensive development.

Option 2 is the preferred approach

32. Officials analysis supports option 2, which would remove the ability of councils to impose car parking minimums in all areas of a major urban centre. This approach is supported by the initial Cost-Benefit Analysis that shows the benefits of decoupling the cost of car parking from housing and other developments is high. Additionally, we are also proposing the inclusion of new direction, encouraging councils to manage parking spill-over through parking management plans.
33. While this option removes the ability of local authorities to direct minimum parking requirements, it still enables the private provision of parking space where market demand for parking exists. We expect private provision is likely to continue at the same rate in the short-medium term. Under this option, individuals may continue to purchase or rent spaces but will bear the direct cost of delivery of these car parks, rather than spreading the costs onto those that do not need or want them.
34. While most councils supported option 3 through submissions, the benefits of removing minimums are applicable to all intensities of developments, including lower densities.
35. Option 1 received almost no support from submissions received but has been considered by officials. It is considered less appropriate as in some cases, maximum parking limits may be an appropriate tool to support mode neutrality.

Officials will work with Waka Kotahi NZ Transport Agency (NZTA)

36. Officials will continue to work with NZTA to ensure that local authorities have adequate guidance to help local authorities with parking management following the gazettal of the NPS-UD.

Taking into account issues of concern to iwi and hapū requires further engagement

37. While we are not proposing a substantially different approach that which was consulted on, we are intending to include a new objective and policy to take into account the principles of the Treaty of Waitangi in urban planning.

Engagement with iwi and hapū

38. We previously advised you that (BRF19/20110512 and 2019-B-06274 refers) feedback received from hapū and iwi on the proposed NPS-UD was more limited than expected.
39. Officials are undertaking further engagement on the NPS-UD to ensure it is informed by engagement with iwi who hold mana whenua over land within all the proposed major urban

centres. We have reached out to Ngāti Toa Rangatira and Taranaki Whānui for Wellington and are seeking appropriate contacts for Tauranga iwi.

40. This engagement will inform the final recommendations report presented to you in March 2020.

More substantive changes to better achieve the intent of the policy and broader NPS-UD

41. Four policy areas have been identified that require more substantive changes to the policy approach to strengthen and better achieve the intent of the policy consulted on. These are:
- a. describing quality urban environments,
 - b. providing for intensification policies,
 - c. enabling further greenfield development, and
 - d. addressing climate change.

42. The preferred policy approach to these is outlined below.

Describing quality urban environments

43. The NPS-UD builds on the NPS-UDC, to provide direction and emphasise the importance of quality urban environments to people's wellbeing. The discussion document proposed policies that aimed to give direction on what is meant by quality urban environments both in existing and future urban environments.
44. This was intended to describe at a national level the features that can apply consistently across all urban environments that would maximise wellbeing across a range of wellbeing outcomes. This is an important policy that will link to direction provided on future urban development strategies and responsive planning policies.
45. An issue identified through consultation, as well as subsequent analysis and engagement, was that the policy consulted on would result in varying interpretations of the scale it applied too (often interpreted as site-specific direction) and lacked clarity on what it seeks to achieve.
46. This is because the policy consulted on uses the term 'quality'. Understanding of quality varies and is typically associated with site-specific and aesthetic features. What makes a quality urban environment under this interpretation differs according to local circumstances and the interests of different communities.
47. This lack of clarity undermines the policy's intent, which is to ensure that decision-makers consider the critical features and functionality of an urban environment when making choices about development that occurs in the city.

Preferred approach – redraft for clarity, replacing the word 'quality' with 'well-functioning and liveable urban environments' and provide direction on the benefits of urban development

48. As 'quality' is predominantly a subjective concept and will vary according to local conditions, the preferred approach is to remove the term quality and emphasise 'well-functioning urban environments' to better achieve the intent of what was consulted on.
49. The policy would give clarity that decisions must enable people, communities and families to provide for their social, economic and cultural wellbeing, and their health and safety, without overprescribing the exact features of quality that will vary for different communities.
50. This would clarify important and nationally consistent factors that contribute to good urban outcomes and set the expectation that local authorities achieve *well-functioning* urban areas that (among other things) are well-connected and offer a range of housing choices and good transport options.
51. This policy would be supported by direction that when making planning decisions, decision-makers have particular regard to the benefits of urban development that are consistent with

well-functioning and liveable urban environments. This aligns with a similar proposal consulted on in the discussion document.

Providing for intensification policies

52. We consulted on intensification proposals that directed local authorities to provide for increased density in areas where those benefits are best realised. This recognises that there is a need for our cities to use urban space more efficiently, particularly in locations where there is high demand, and accessibility to jobs and amenities is at a premium.
53. While there are policies that apply to all urban environments, the discussion document also consulted on options (both a prescriptive and descriptive approach) for directing councils with major urban centres (MUCs) to enable a prescribed level of development in particular locations.
54. This policy is intended to address political bias toward the status-quo that often results in rigid controls that increase prices and reduce the supply of higher density developments in locations of high demand, particularly in and around public transport and centres. Addressing this bias would enable more people and homes to be accommodated in areas with high levels of accessibility to jobs, amenities and services – for both development in existing urban environments and greenfield development.

The policy needs to be amended to better enable intensification and achieve its intent

55. Through further engagement and analysis, important technical issues have been identified that would undermine the policy as consulted on. If not addressed, they would likely provide less intensification than anticipated.
56. For example, the prescriptive option consulted on required MUCs to enable 60 dwellings/hectare. This could be interpreted for greenfield development to mean a subdivision pattern that would enable development of 1 dwelling for every 300m², rather than enabling the higher density typologies envisioned. Submitters and feedback from agencies have also noted that 60 dwellings/hectare was not dense enough to enable apartments in city centres or high-density zones. Likewise, the 800m walkable radius consulted on might limit the provision of higher density in suitable locations where the policy would have a binding and beneficial effect.

Preferred approach – maintain general intensification rules for all councils, while refining MUCs policy to be more binding

57. The preferred policy approach is to retain a general intensification policy for all urban environments as well as more directive policies for MUC. It is proposed that this would apply to existing and new urban environments to support growth both 'up and out'. The approach for MUCs would apply a mix of the prescriptive and descriptive options, scaled to ensure greater impact of the policy within MUCs.
58. This would enable clarity in implementation and would provide a framework to target the highest levels of urban form where it will have the most impact on urban development provision. This supports initial findings from the Cost-Benefit Analysis that intensification benefits come from policy which focuses on increasing supply in highly productive and high amenity locations.
59. Within MUCs, there are locations where constraints on development are most binding, and where if these were lifted there would be a supply response from developers. These are locations of high demand and accessibility to jobs and amenities. We propose to focus on these locations by directing councils to enable the highest levels of development in these locations – within a walkable catchment of:
 - existing and planned rapid public transport and public transport networks; and
 - both in and around centres, based on the standardised hierarchy of centres in the National Planning Standards
60. This draws on the descriptive approach by providing local authorities with flexibility to determine what is 'walkable'. This would be supported by guidance that provides a

methodology for how to determine what a suitable walkable catchment is. We are working with the NZTA to develop this.

61. We recommend that this policy takes a prescriptive approach for defining the levels of intensification that should be enabled to happen in these locations. We recommend prescribing a hierarchy of densities, based on height as the prescriptive feature (rather than dwellings per hectare). The use of 'storeys' rather than 'metres' to prescribe height is to allow for more flexibility in implementation by the development sector. This is informed by discussion with TAP and developers, alongside Kainga Ora.
62. This approach recognises that within the city centre zone, councils should not set height limits. In walkable catchments around rapid transit stops, and in and around metropolitan, town and local centre zones, councils must enable an urban form of at least six storeys and must enable at least three storeys within a walkable catchment of public transport nodes and around town and local centre zones.
63. To strengthen this policy, we are exploring a policy to require recognition of the 'benefits of intensification'. This could either be combined with the general intensification policy or the 'well-functioning urban environment' policy. This would also be supported by other policies within the proposed NPS-UD directing that rules need to enable development envisioned through a zone would ensure that the zoning framework enabled this height to occur.
64. During the consultation submitters raised concerns that as this policy is very directive at a national level, it is important to explicitly recognise that some of the locations directed through this policy will not be suitable for the level of urban development required (e.g., coastal hazard areas; matters necessary to ensure consistency with Treaty settlement legislation"). Officials are considering the nature of an 'exceptions' policy, with the intent that matters excepted from the policy must be incompatible with the level of urban development prescribed, be well-evidenced and that the next highest level of urban development compatible with the matter will be enabled.

Officials will continue to work on the details of this policy to ensure effectiveness

65. Further work is needed to improve this option and ensure it is binding. Officials will continue to work with the Ministry of Transport (MoT) and NZTA to better clarify transport definitions, further test that the use of height to achieve density will be effective, and explore linking the policy to the level of urban development required.
66. This will also include mapping analysis to test the impact of the policy put forward to ensure that, for example, using rapid transit and particular centres will effectively capture the areas of high accessibility to jobs and amenities within MUCs. This work will inform the final recommendation in March.

Enabling further greenfield development

67. Urban areas are dynamic and complex, continually changing in response to wider economic and social change. The current planning system is not responsive enough to these changing circumstances and opportunities – this, in turn, can lead to a mismatch between what is plan enabled and where development opportunity (or demand) exists. This leads to delays in supply or incentivisation of land banking.
68. In response, an example policy was put forward in the discussion document that would expand on the status quo under the NPS-UDC, by including provisions to direct local authorities within MUCs to be more responsive to plan change requests for urban development that are a) out of sequence, or b) unidentified in plans.
69. The intent of the policy is too to:
 - Enable a responsive planning system to achieve competitive development markets, through developments at scale
 - Ensure that plan change requests are considered on their own merits and to ensure that decision-making supports developments that are of scale and contribute to well-functioning urban environments.

The wording in the example policy risks providing a more stringent test than the status quo

70. To achieve this, the example policy was directive, using the term 'must provide for urban development'. To ensure negative externalities were managed from such a directive policy, the example policy included a list of factors that need to apply as conditions. However, through further analysis, we consider this list would potentially introduce an even more stringent test than the status quo – particularly as it relates to 'infrastructure to enable the long-term development of the land can be provided'.
71. As worded, the example policy may likely have the opposite effect to what was intended – with local authorities using it to reject greenfield developments on the basis they cannot be fully funded by the developer (or for some other minor reason that could be mitigated). Alternatively, under the current system developers and councils regularly negotiate infrastructure funding for new developments.

Alternative policy approach is needed to achieve intent – focused on responsiveness and transparency

72. The preferred approach is to include policy requirements that local authorities must consider and be responsive to plan changes that add significantly to development capacity and contribute to well-functioning and liveable urban environments. The policy would link to well-functioning and liveable policies to ensure that developments that occur as a result of this policy are not disconnected and lead to poor urban development outcomes. As the principle is responsiveness in the planning system, this would apply to both greenfield and brownfield developments.
73. Requirements for the developer to fund the necessary infrastructure would not be included, as this may be a more stringent requirement than the private plan change process (which is the current status quo).
74. Additionally, to improve the transparency of decision making and to facilitate a culture change in planning that will lead to better responsiveness, officials are exploring options to require ongoing transparent engagement with development sector through the update of future development strategies. This would help facilitate a systematic approach where councils consider overall growth opportunities and then funding.
75. It would also provide assurance to the development sector that opportunities are considered consistently, and transparently, and may facilitate competitiveness within the system as developers would know that the council has an established system to consider new opportunities for development put forward by the development community.
76. Through guidance, local authorities would also be encouraged to consider alternative funding and financing options within this process and work with central government on other funding required is the opportunity is significant enough. An important element to this option will be ensuring that opportunities are of significant scale to enable well-functioning urban environments and to avoid disconnected and small developments being put forward.

Approach may impact on infrastructure planning and funding at both a central and local government level

77. This policy is contingent on the flexibility of funding plans and frameworks for critical infrastructure. Some of this would be supported by the infrastructure funding and financing pillar of the UGA. However, others would need to be borne out through a local government legislative framework or other central government processes.
78. For example, NZTA has noted that the implications of this policy may be that some developments could require significant investments in transport infrastructure to support, so the cost may be borne by NZTA/road users who fund the National Land Transport Fund.

Addressing climate change

79. Several submissions noted concern that the proposed direction did not explicitly reference climate change.

80. While it is likely the cumulative impact of proposed policies in the NPS-UD will enable better climate outcomes, we are exploring options to reference climate considerations as an objective in the NPS-UD explicitly. This would more clearly signal that climate considerations are relevant to RMA decision making while giving flexibility to local authorities to give effect to this.

Areas that require further policy work and engagement

Housing and business assessments and demand margins

81. The discussion document proposed requirements that MUCs publish a housing and business assessment every three years. This would calculate how much development capacity councils must enable and provide a robust evidence base to inform:
- Resource management planning, including bottom lines for housing development capacity
 - Future development strategies, including urban form scenarios
 - The long-term plans and infrastructure strategies prepared under the Local Government Act.
82. The discussion document recommends that the calculation of development capacity includes margins of 20 percent in the short and medium terms and 15 percent in the long term. This is to facilitate competitive markets: when local authorities must provide greater development capacity, the additional supply facilitates lower land prices.
83. Officials are working to improve the clarity of the housing and business assessment policies, particularly in regarding take-up and monitoring requirements. Officials are also considering options to increase the margins, to lift development capacity again from the status quo.

Options have been identified in relation to margins

84. Three options have been identified in relation to margins.
- Option one: Retaining margins as consulted
 - Option two: Lift margins in response to one or more indicators
 - Option three: Develop a model which links prices to development capacity, to help set margins to each local area.
85. Option 1 is consistent with and exceeds international precedent. For example, in England, local authorities must add a margin of 5 percent to the identification of “specific deliverable sites” to ensure choice and competitiveness and must increase this to 20 percent if there has been persistent under-delivery of housing against projected demand. In Scotland, local authorities must add a margin of 10 to 20 percent (depending on local circumstances) to ensure a generous supply of land is provided. Both jurisdictions only require these margins to be added to the first five years of capacity.
86. However, we have not been able to find the evidence underpinning the actual margins used in either England or Scotland’s policies and officials are not aware of any other jurisdiction that use such margins.

Option two and three will require further consultation and analysis

87. If you prefer option two or three, it is recommended that officials undertake further work and consultation. This is particularly important as higher margins may impact on infrastructure investment decisions in the short term.
88. HUD and MfE would undertake further work to explore options for increasing competitiveness margins where required, working alongside the Treasury. This would require exploring the development of a model that is sufficiently rigorous and acceptable to help set competitiveness margins and quantifying the additional development capacity that the amended policies will likely require councils to provide in major urban centres.

89. This would also require work with the Office of the Auditor-General and engage with local authorities to ensure that the policies facilitate the use of housing and business development capacity assessments to inform the long-term plans and infrastructure strategies.
90. Officials would also explore dependencies with funding frameworks not within the scope of the current resource management legislative framework - both from central government (e.g. National Land and Transport Fund), and local government under the local government legislative framework, as well as ongoing policy work on infrastructure funding and financing through the UGA.
91. Undertaking this work may not be achievable in current timeframes for gazettal in July.

Targeting policies

92. The NPS-UDC directed its policies by establishing different tiers; high-growth and medium-growth councils, and all other urban environments. Councils were assigned to these tiers on a dynamic basis as modelled growth rates and other factors changed, and the different tiers had different requirements.
93. Although flexible, this system had disadvantages; particularly a lack of certainty for councils about what is required of them when population projections changed, and the costs and risks associated with this.
94. To address this issue, the discussion document proposed to focus the most directive policies on the fastest growing areas with the largest urban pressures or that were of a large size (the MUCs). This list was established by considering population size and growth rates, and where housing challenges have a national impact. Less prescriptive policies would apply to all urban environments of more than 10,000 inhabitants.
95. The intent was to capture councils that have the greatest impact in meeting the overall objectives of NPD-UD and balance the costs, capability and resource requirements for councils, against the benefits gained from the implementation of the NPS-UD.
96. However, census data released in December 2019 identifies more councils dealing with housing pressures that would benefit from the policies targeted to MUCs. Some of these align with areas of high-housing need identified by the government. For example, areas with larger populations (but slightly less than the MUC threshold of 100,000 residents) such as Hastings District and Napier City experienced 12.5 percent and 10.36 percent growth respectively over the last ten years, while Whangarei experienced growth 18.46 percent. Officials have also had feedback from medium growth councils that the existing policies were useful for their planning activity.
97. A single-tier (MUCs) approach has proposed in the discussion document may therefore no longer be useful – however simply expanding list of MUCs is not appropriate as smaller councils would need to implement all directive policies (such as on intensification), which they do not have the capacity to undertake, nor the market to deliver on.

Preferred approach is a three-tier system

98. There are two options to address these issues – retaining the approach consulted on or an enhanced version of the status quo under the NPS-UDC.
99. The enhanced status quo option would introduce three tiers with different requirements. For example:
 - Tier 1 (MUCs) - All of the policies, including the most directive, apply
 - Tier 2: (medium-growth councils) – all policies, including the FDS and HBA policies, but not the directive intensification, or carparking, apply (example only)
 - Tier 3: (all urban environments) – all policies except for those only applying to tier 1 and 2.
100. A three-tiered approach is preferred, as it ensures councils who are not MUCs but have larger population sizes and growth rates adopt good practice of monitoring and understanding their

housing markets and planning for future growth through the FDS before housing issues get as acute as they are for MUC. Officials are currently analyzing the appropriate local authorities to be targeted for Tier 2 and which policies are appropriate to require within this category.

101. If you agree with the preferred approach, officials will be required to reengage with affected local authorities and iwi to test its appropriateness.

Other areas of work

Timing of requirements, implementation, enforcement and engagement

102. We are currently working with officials involved in the growth partnerships programme (under the Spatial Planning pillar of the UGA) to ensure the timing of requirements enable integration of current work programmes, Future Development Strategies, HBAs and other national direction. This will take into account the current LTP timeframes.
103. Officials are also working on the development of a detailed implementation plan to support the NPS UD following gazettal. This will be supported by a compliance and enforcement strategy.

Treaty of Waitangi settlement commitments

104. As reported previously, [BRF19/20110512 and 2019-B-06274], officials are assessing all currently proposed national direction against treaty settlement commitments. Officials will report back on this in March.

Interactions with other national direction

105. Officials are continuing to work to ensure interactions across other national direction tools are aligned. Discussions are ongoing with local authorities to understand implementation constraints and practical consequences of the policies consulted on, alongside all feedback received during the consultation period.

Further directive intervention

106. The discussion document consulted on the possibility of further directive intervention using national direction tools. There was no conclusive response through submissions, but broadly site coverage, dwellings-per-site, minimum lot size and setbacks were identified as possible inhibitors to growth.
107. There are a range of options to address these issues, but more analysis and consideration is required to ensure optimal interventions and understand the cumulative impact of such interventions. Officials report back on next steps on this work in March.

Consultation

108. The Treasury, Ministry of Transport, Department of Internal Affairs, Ministry of Primary Industries and Te Arawhiti have been consulted, and Te Puni Kōkiri informed.

Next steps

109. Officials are finalising a draft NPS-UD which will be based on new structures broadly similar the draft National Policy Statement on Fresh Water. We are exploring whether a preamble would fit this structure, and options to achieve the intent of a preamble if not.
110. We are aiming for gazettal of the NPS-UD in July. This is a challenging deadline and slippage in the process may jeopardize the ability to reach it. The timeframes for the gazettal of the National Policy Statement on Urban Development in July, are outlined below:
- 5 March: Recommendations pack delivered - Recommendations report, draft NPS-UD and Section 32
 - Mid-April: Draft Ministerial consultation pack delivered: Cover briefing, Draft Cabinet Paper, Regulatory impact Statement, Section 32 and NPS-UD

- June: Final Cabinet Paper: Cover briefing, Cabinet Paper, Regulatory Impact Statement and NPS-UD.
- Gazettal of the National Policy Statement on Urban Development in July 2020

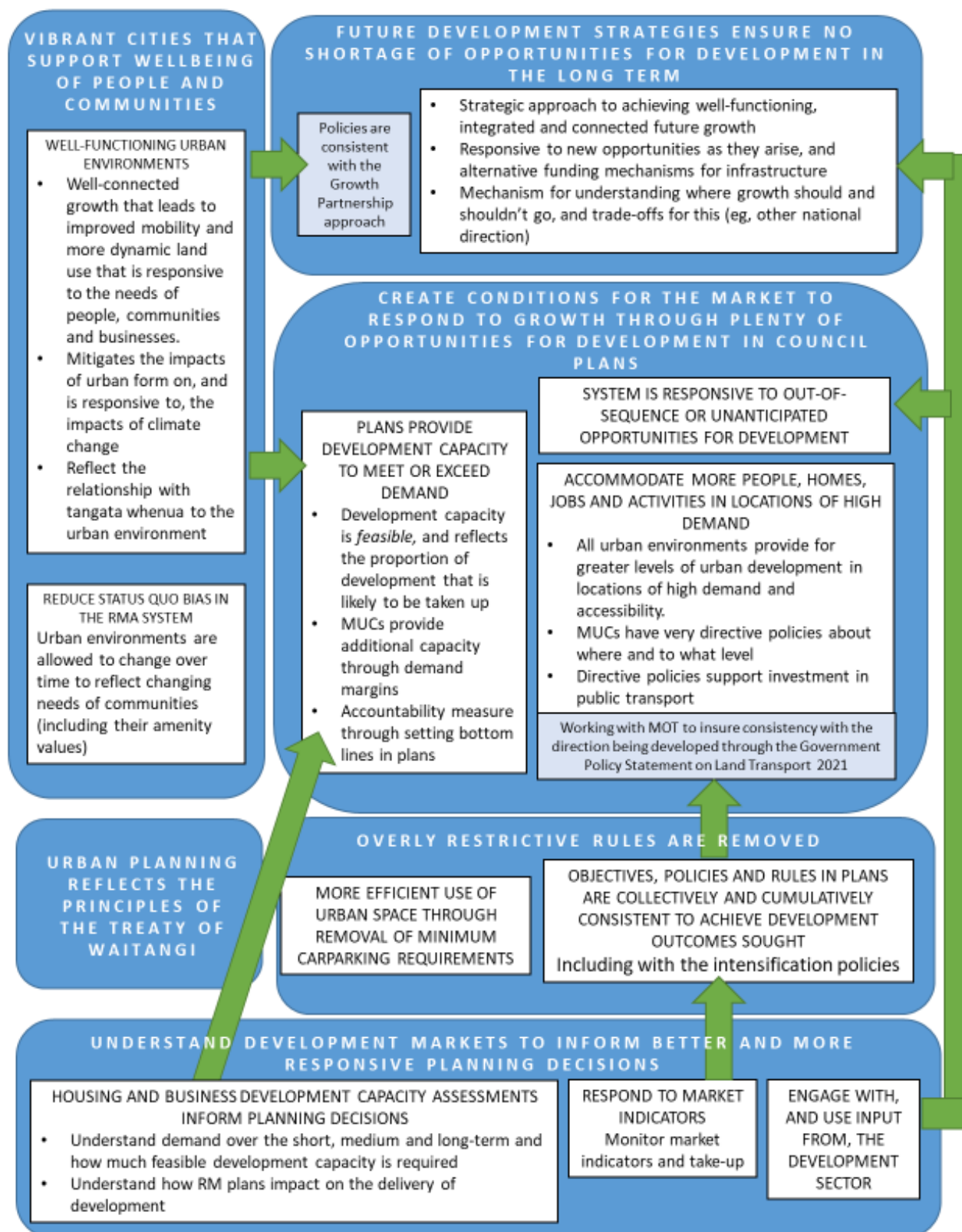
111. Officials propose to meet with Ministers several times prior to gazettal:

- 11th Feb – discuss the content of this report
- 11th March – to provide initial feedback on recommendations report and discuss interactions across national policy statements
- 29th April - Ministerial consultation on the Cabinet paper
- 5th May – Ministerial consultation on Cabinet paper.

Annexes

- Annex one – cumulative impact of NPS-UD policies
- Annex two – overview of preferred policy approaches

NPS URBAN DEVELOPMENT KEY IMPACTS



Annex two - overview of preferred policy approaches

	Policy	Proposal as consulted on	Comment	Proposal
Category C Areas that will require further policy work and engagement to explore policy approaches	Targeting – who the NPS applies to	Only 6 major urban centres would follow more directive elements of the NPS UD	There are a set of cities which are experiencing urban growth pressures not covered	Enhanced status quo with three-tiered system – major urban, medium growth and all urban environments. Need to engage these other local authorities
	Housing and Business Assessment	Reduced complexity assessment that quantifies expected levels of demand to determine how much capacity is needed	Doesn't necessarily lift level of capacity. A particular area of interest to the Treasury	Options of maintaining what was consulted on, lift margins, or develop a model where margins are adjusted based on indicators
Category B More substantive changes to better achieve intent of policy and broader NPS-UD	Quality Urban Environment	The importance of quality urban environments and the link to wellbeing	Not clear what it meant, the scale or what it sought to achieve. Need to be clear about functions and benefits.	A move to well-functioning urban environment , plus a policy which recognises the benefits of urban development
	Further greenfield	To require local authorities to actively consider plan changes so long as the costs of growth were internalised	Would not have achieved intent and would have led to unintended consequences. Should be applied to both growth out and up	New direction on responsive planning and requirements that local authorities must have particular regard to plan changes that provide significant additional development capacity, and engage development community on FDS reviews to identify new opportunities for development
	Intensification	Options to ensure councils enable intensification where there is demand	Mostly supportive, concerns about one size fits all of density rules	Maintain general intensification rules for all councils, while having a mixture of descriptive and prescriptive rules for MUCs , linked to access to key centres and public transport
	Climate	Was not explicit in direction as it was seen to be a benefit that would result from quality urban environments	Feedback that there need to be an explicit mention	Considering adding an objective
Category A Refined version of what was consulted on for clarity or to address technical issues	Amenity values in urban environments	Recognising that amenity values change over time, and vary among individuals and communities	Broad support do not want to undermine the good practice emerging through decisions based on NPS-UDC.	Refined version drawing on NPS-UDC language about urban environments changing over time
	Ensuring that plan content enables expected levels of development	Council rules must individually and cumulatively support objectives for growth	Broad support	Refined version
	Future Development Strategy (FDS)	Broadening and refining the requirements for an FDS, and strengthening its role in the planning system	Board support	Refined version, with use of special consultative process (aligned with urban growth partnerships)
	Enabling opportunities for development (development capacity)	Requirement for councils to provide enough development capacity to meet demand for housing and business land that is feasible and likely to be taken up and set bottom lines in plans	Mostly supportive, although lots of confusion over 'likely to be taken up'.	Refined version to clarify 'take-up'
	Engagement and coordination across local authority boundaries	Coordinated and aligned decisions within and across local authority boundaries	Broad support	Refined version
	Removing minimum car parking requirements	A range of options, including removal of minimum requirements in all zones, or medium and high-density zones	Broad support, some concern about option that would remove the ability to use maximum requirements	Remove ability to have parking minima , encourage use of parking area management plans
	Taking into account issues of concern to iwi and hapū	A need to engage iwi and hapū in planning	Limited number of submissions were made, but generally supportive	Build in specific objective around the Treaty and requirements for engagement throughout