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This document may be cited as: Ministry for the Environment. 2020. *Guidance on Housing and Business Development Capacity Assessments (HBAs) under the National Policy Statement on Urban Development*. Wellington: Ministry for the Environment.

Published in December 2020 by the  
Ministry for the Environment   
Manatū Mō Te Taiao  
PO Box 10362, Wellington 6143, New Zealand

ISBN: 978-1-99-003341-4 (online)

Publication number: ME 1551

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# Introduction

## Purpose

This guidance has been developed to help local authorities understand and interpret the provisions for producing a Housing and Business Development Capacity Assessment (HBA) under subpart 5 of the National Policy Statement on Urban Development (NPS-UD). This document should be read with the guidance produced for the previous [National Policy Statement on Urban Development Capacity 2016](https://www.mfe.govt.nz/more/towns-and-cities/implementing-national-policy-statement-urban-development-capacity) (NPS-UDC), as the focus of this document is on new or amended requirements not previously contained in the NPS-UDC. This document includes explanations and examples of good practice to support local authorities implementing the new HBA requirements.

Prior guidance and other related documents to use with this guidance include:

* the [fact sheet](https://www.mfe.govt.nz/publications/towns-and-cities/nps-ud-2020-hba-fact-sheet) providing a high-level overview of policies within subpart 5
* [guidance provided for the NPS-UDC](https://www.mfe.govt.nz/publications/towns-and-cities/national-policy-statement-urban-development-capacity-guide-evidence)
* [guidance for subpart 3, ‘Evidence-based decision-making’](https://www.mfe.govt.nz/publications/towns-and-cities/evidence-based-decision-making-under-national-policy-statement-urban), which will be published at the same time as this document
* the interactive [online dashboard](https://www.hud.govt.nz/urban-development/urban-development-dashboard/) of housing market data and indicators.

## Scope

Subpart 5 of the NPS-UD outlines requirements that all tier 1 and 2 local authorities must follow to prepare an HBA, including:

* a description of the purpose of an HBA
* who to engage with
* how demand and capacity assessments should be prepared and what evidence it should consider
* how to assess sufficiency of development capacity.

This HBA guidance currently focuses on the sections of subpart 5 on conducting housing assessments, which are due by 31 July 2021. This includes general aspects covered by clauses 3.19 and 3.22, and clauses 3.23 to 3.27 that specifically relate to housing assessments.

Guidance will be updated to cover the requirements for business land assessments (clauses 3.28 to 3.30) at a later date.

## Objectives

HBAs are designed to provide local authorities with a robust evidence base for housing and business land markets, to inform plans, planning decisions, and related strategies (such as Future Development Strategies (FDSs)). The NPS-UD states where and how the HBA evidence should be used, including:

* informing long-term plans and infrastructure plans
* improving the quality and timing of evidence supporting planning decisions
* more explicit requirements to use this evidence in section 32 (Resource Management Act 1991 (RMA)) reporting.

Local authorities are not required to develop and maintain in-house capability for HBA assessment and modelling, but it is recommended, as it allows HBA and monitoring evidence (clause 3.9) to be more easily used for evaluating and updating council plans and policies. This in turn supports more responsive planning decisions and helps ensure development capacity (supply) stays ahead of demand.

Many of the NPS-UD objectives and policies are supported by the production and continual use of evidence from HBAs, as outlined below.

|  |
| --- |
| **Objective 1:** New Zealand has well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and in the future. |

The assessments required for producing an HBA, particularly the demand assessments for clause 3.23, contribute to evaluating and monitoring well-functioning urban environments.

|  |
| --- |
| **Objective 2:** Planning decisions improve housing affordability by supporting competitive land and development markets. |

Ensuring sufficient development capacity helps keep urban environments affordable and competitive. HBAs contribute to objective 2 by quantifying the future development capacity for expected housing demand by type and location, which informs housing bottom lines (clause 3.6). Competitive margins are added to demand forecasts to enable more competitive land and development markets, giving an overall housing bottom line (clause 3.6). Market indicators must be used to analyse how planning and infrastructure decisions support housing affordability for different community groups and provide for competitive housing markets. Clause 3.27(3) also requires that any undersupply of development capacity (and the reasons for this) are identified, so they can be addressed.

|  |
| --- |
| **Objective 6:** Local authority decisions on urban development that affect urban environments are:  (a) integrated with infrastructure planning and funding decisions; and  (b) strategic over the medium term and long term; and  (c) responsive, particularly in relation to proposals that would supply significant development capacity.  **Objective 7:** Local authorities have robust and frequently updated information about their urban environments and use it to inform planning decisions. |

Objectives 6 and 7 are supported by the detailed modelling of housing demand and supply that is included in HBAs. This modelling needs to project housing demand over time, by both type and location; supply is estimated by assessing the commercial feasibility and expected realisation of development capacity. HBAs are updated every three years to support well-informed and timely planning decisions, which ultimately seek to achieve competitive markets and improved housing affordability.

# Key changes from the National Policy Statement on Urban Development Capacity

Subpart 5 includes many amended policies from the National Policy Statement on Urban Development Capacity (NPS-UDC), making them clearer and providing more specific direction. The [NPS-UDC guidance](https://www.mfe.govt.nz/publications/towns-and-cities/national-policy-statement-urban-development-capacity-guide-evidence) applies to a number of National Policy Statement on Urban Development (NPS-UD) policies, and should be read alongside this guidance. Key policy changes for Housing and Business Development Capacity Assessments (HBAs) (subpart 5) are shown in table 1.

Table 1: Key changes for the NPS-UD

| NPS-UD clause | New element to HBA under the NPS-UD | Reason for the change |
| --- | --- | --- |
| 3.19(1) & 3.20(1)(b) | HBAs must be completed in time to inform long-term plans (LTPs). | To integrate evidence across wider local government decision-making processes. |
| 3.21 | Direction that local authorities must engage with development sector, providers of infrastructure, and others with important information. | To provide a stronger evidence base by engaging with stakeholders with relevant information. |
| 3.22 | The 20% and 15% take-up margins in the NPS-UDC are repurposed to support competitiveness. | To make land markets more competitive, based on British example in which a margin is applied to increase choice and competition in land markets by ensuring a generous supply of land. (Paragraph 73, [National Policy Planning Framework 2019](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/810197/NPPF_Feb_2019_revised.pdf)) |
| 3.23 | An analysis of how planning and infrastructure decisions impact the competitiveness and affordability of the local housing market for different community groups and types of housing. | To provide local authorities with evidence on how well the local housing market meets the current and future needs of diverse communities, especially for those in need. The intent is that this analysis shows where and why development capacity is needed, and can inform a wide range of council policies. |
| 3.24(1), 3.25(2), 3.27(2) | Requirement to assess demand, development capacity, and sufficiency of capacity by type and location. | More granular information can help local authorities ensure they don’t unreasonably constrain development from meeting demand for particular types of homes and in particular locations. |
| 3.24(5) | A range of demand projections must be produced, with the most likely projection identified for each of the short, medium, and long terms. Assumptions, reasons for projections and the most likely projection to be set out. | To improve the accuracy, robustness and transparency of the demand assessment and create alignment with Local Government Act 2002 (LGA) projection requirements for planning and infrastructure strategies. |
| 3.25(1)(c) | Housing development capacity has had *reasonably expected to be realised* added to its definition, instead of *rate of take up*. | To provide more direction and scope for quantifying a more realistic supply of development capacity, rather than establishing a precise rate of take up. |
| 3.25(1)(c) & 3.26 | Feasibility estimates of housing development capacity based on the current relationship between costs and prices, with flexibility to alter this relationship for long-term feasibility. | To recognise the uncertainty of prices in longer term forecasting. ‘Reasonable adjustments’ can be made to the current housing cost/price relationship; for example, to reflect council investments in amenity, infrastructure or building technologies. |
| 3.26 | Options and examples to calculate housing development capacity that is *feasible* and *reasonably expected to be realised,* andensuringtransparency ofmethods, inputs, and assumptions. | To provide greater direction, flexibility and transparency when calculating housing development. The intent is to err on the higher side of realistic supply, to avoid an undersupply of development capacity. |
| 3.27(3), 3.30(3), 3.7 | Identify any insufficient development capacity, and its cause, and notify the Minister for the Environment of the insufficiency. | To encourage central and local government collaboration where insufficiency is identified, and to ensure HBAs can be translated into actionable responses in district plans, LTPs or other interventions. |
| 3.6 | *Housing bottom lines* replace minimum *targets* in regional policy statements (RPSs) and district plans, and should be inserted as soon as practicable after the HBA has been published, without a Schedule 1 process. | To ensure planning decisions provide the development capacity required to meet HBA demand projections and support competitive markets by ensuring there is at least a minimum provision of supply, and encouraging supply beyond this minimum bottom line as needed. |
| 3.11(b)(i) | Use evidence from HBAs to assess the impact of different regulatory and non-regulatory options for urban development, and their contribution to well-functioning urban environments. | To ensure the evidence created through the HBAs is used to help understand and achieve well-functioning urban environments. |

# Subpart 5’s interaction with subparts 1 and 3

Subpart 5 is integral to the implementation of subpart 1 – *Providing development capacity*, and subpart 3 – *Evidence-based decision-making*. Subparts 1, 3 and 5 should be read together, as they support each other’s requirements.

## How subpart 1 informs subpart 5

Subpart 1 informs subpart 5 through:

* Clause 3.4 – *Meaning of plan-enabled and Infrastructure-ready* informs clause 3.25   
  – *Housing development capacity assessment*. Clause 3.4 defines *plan-enabled and infrastructure-ready* which must be used when fulfilling housing development capacity assessments under clause 3.25.
* Clause 3.2 – *Sufficient development capacity for housing* informs clause 3.27 – *Assessment of sufficient development capacity for housing*. Clause 3.2 defines sufficiency, which must be used when assessing sufficiency under clause 3.27.

## How subpart 5 informs subparts 1 and 3

Subpart 5 informs requirements under subparts 1 and 3 through:

* Clause 3.24 – *Housing Demand Assessment*, informing clause 3.6 – *Housing Bottom Lines, for tier 1 and 2 urban environments*. The identified demand plus competitiveness margin must be inserted into district plans and regional policy statements as housing bottom lines.
* Clause 3.27 – *Assessment of sufficiency to development capacity for housing* informs clause 3.7 – *when there is insufficient development capacity*. Where insufficiency is identified through analysis of sufficiency under clauses 3.27 or 3.30, local authorities must give effect to clause 3.7. If evidence from the Housing and Business Development Capacity Assessments (HBA) suggests insufficiency is due to planning documents, subclause 3.7(1)(b) will require that planning documents are amended to increase development capacity as soon as practicable. Other options for increasing or enabling development capacity (as per subclause 3.7(1)(c)) should also be considered.
* All of subpart 5 informs clause 3.11 – *using evidence and analysis*, as subpart 3 now requires evidence from the HBA to be used when assessing the impact of regulatory and non-regulatory options for urban development.

# Timing of HBAs

Objective 6(a) of the National Policy Statement on Urban Development (NPS-UD) requires local authorities to integrate urban development decision-making with infrastructure planning and funding. Quality evidence must be available to integrate the relevant decision-making processes. This section provides more information on timing requirements for the Housing and Business Development Capacity Assessment (HBA) to inform other planning processes.

## Informing long-term plans (clauses 3.19 & 3.20)

Clause 3.19 and 3.20 outline the obligation and purpose of the HBA under the NPS-UD. These provisions have the same intent as the National Policy Statement on Urban Development Capacity’s (NPS-UDC’s) HBA, but a key shift of the purpose is to use the HBA to inform local authorities’ long-term plans. The two policies in the NPS-UD that show the shift in purpose are paraphrased below.

|  |
| --- |
| **3.19(1)** – Every tier 1 and tier 2 local authority must prepare… an HBA for its tier 1 or tier 2 urban environments every 3 years, in time to inform the relevant authority’s next long‑term plan.  **3.20(1)(b)** – The purpose of an HBA is to… inform RMA planning documents, FDSs, and long‑term plans. |

The purpose has been adjusted to integrate evidence across planning decisions. This is important because the NPS-UD (under the Resource Management Act 1991 (RMA)) and long‑term plans (LTPs) (produced under the Local Government Act 2002 (LGA)) can be used together to ensure available funding and infrastructure to address any insufficient development capacity for housing or business land.

## Publishing the HBA

Table 2: Timing requirements of the NPS-UD from Part 4.1(2)

|  |  |  |  |
| --- | --- | --- | --- |
| Local authority | Subject | National Policy Statement provisions | By when |
| Tier 1 only | Intensification | Policies 3 and 4 (*see* Part 3 subpart 6) | Not later than 2 years after commencement data |
| Tier 2 only | Intensification | Policy 5 | Not later than 2 years after commencement data |
| Tiers 1 and 2 | First FDS made publicly available after commencement date | Policy 2 (*see* Part 3 subpart 4) | In time to inform the 2024 long-term plan |
| Tiers 1 and 2 | HBA so far as it relates to housing | Policy 2 (*see* Part 3 subpart 5) | By 31 July 2021 |
| Tiers 1 and 2 | HBA relating to both housing and business land | Policy 2 (*see* Part 3 subpart 5) | In time to inform the 2024 long-term plan |
| Tiers 1, 2, and 3 | Car parking | Policy 11(a) (*see* clause 3.38) | Not later than 18 months after commencement date |

Information gathered for the HBA should be used to inform the FDS process, and the documents may be published at the same time. When using third parties for HBAs, local authorities should consider a schedule of deliverables that will allow the information to be incorporated into FDS development.

The next HBA must be published as soon as possible before 31 July 2021. Local authorities are only required to update the housing part of the assessment at this time and may choose to leave the business assessment to include in a complete HBA informing the 2024 long-term plan. Complete HBAs must be prepared every three years, in time to inform long‑term plan cycles.

# Involving the development sector (clause 3.21)

The primary purpose of clause 3.21 (and partly 3.26) is to provide real-world evidence and contribute to the quality of a Housing and Business Development Capacity Assessment (HBA). This is particularly important for understanding potential development outcomes and supporting aspects of the HBA such as calculating *feasible* development capacity and assessing the amount that is *reasonably expected to be realised.*

Clause 3.21 does not require a specific consultation process such as under section 82 of the Local Government Act 2002 (LGA); local authorities will determine the best engagement process to inform their HBA. These provisions are designed to encourage local authorities to actively seek expert technical information in preparing their HBA, to ensure they have the best information available. Additional guidance for each subclause of 3.21 is provided below. It is important to note the examples only show a few options, and local authorities are encouraged to engage with all stakeholders who can contribute meaningfully to the HBA.

## Engaging with development experts (clause 3.21(1)(a))

Example 1 shows the approach used by Dunedin City Council (DCC) when engaging the development sector on HBAs.

|  |
| --- |
| Example 1: Dunedin City Council engages with the development sector  DCC was able to model more accurate estimates of feasible development capacity by engaging with developers regarding actual development rates.  After emails and face-to-face meetings with developers, there were two key insights. The first insight was that two-bedroom dwellings were not feasible to develop in the standard residential zone (GR1). Secondly, DCC were able to attain a more precise understanding of how to calculate greenfield yields.  These two insights enabled the feasible development capacity model to better reflect market conditions. More information on this method can be found in [DCC’s 2019 HBA](https://www.dunedin.govt.nz/__data/assets/pdf_file/0010/704962/Housing-capacity-assessment-for-Dunedin-City.pdf). |

## Providers of development infrastructure and additional infrastructure (clause 3.21(1)(b))

Infrastructure providers will vary between local authorities and will include any provider that a local authority considers important to shaping or facilitating urban development. Some examples of infrastructure providers identified in prior HBAs were education, healthcare, power and gas, internet and telecommunication and transportation.

## Engaging other information holders (clause 3.21(1)(c))

Clause 3.21(1)(c) also requires that local authorities consult with “anyone else who has information that may materially affect the calculation of the development capacity”. This includes a wide range of people, such as large landholders, group housing providers (eg, student housing or retirement villages), seasonal accommodation providers (eg, for tourism or labourer hostels), or community housing providers. Relevant groups will be specific to each local authority. Example 2 outlines the engagement commissioned by Tauranga City Council (TCC) with large greenfield landholders.

|  |
| --- |
| Example 2: Tauranga’s engagement with greenfield developers and landowners  In 2019, Tauranga City Council commissioned Veros Property Services (Veros) to independently review residential development capacity, as developers and council staff believed Tauranga had insufficient development capacity to meet demand.  As part of the review, Veros contacted large greenfield landholders (considered those that could provide 20+ dwelling capacity) to discuss their development intentions, including whether they planned to develop in the near future. This information was used to better inform greenfield capacity estimates.  Many of these landholders were already part of the SmartGrowth Development Forum, which made it easier to speak about future development. The intentions of landholders were added to a database of resource consents and estimated yields.  When Veros modelled residential development capacity using landholder intentions, they found a shortfall of capacity due to the idiosyncratic preferences of landholders. |

# Competitiveness margin (clause 3.22)

Clause 3.22 outlines the requirements for using *competitiveness margin*, paraphrased as:

|  |
| --- |
| **3.22(1)** –A competitiveness margin is a margin of development capacity, over and above the expected demand that… is required in order to support choice and competitiveness in housing and business land markets. |

The 20 per cent margins on expected demand for the short and medium terms and 15 per cent margins for the long term have been carried through from the National Policy Statement on Urban Development Capacity (NPS-UDC), with the National Policy Statement on Urban Development (NPS-UD) modifying the margins applied, to allow for more choice and competitiveness in land markets. In practice, this means applying the margins as an excess of the demand modelled.

The NPS-UD clarifies that the assessment of what is *reasonably expected to be realised* should be performed as a separate process with *competitiveness margins* added on top. This clarification ensures the margins can be dedicated to increasing development capacity, which helps ensure enough supply is available to provide for more choice in the market. The application of margins mainly relates to the requirements for assessing sufficiency in clause 3.27, discussed in section 11.

# Analysing the impacts of planning (clause 3.23)

This policy directs local authorities to analyse a range of housing market indicators, to increase their awareness of the effects of planning and infrastructure decisions. Two high-level pieces of analysis are required by this clause; the first focuses on how planning decisions and infrastructure affect the affordability and competitiveness of the local housing market (clause 3.23(1)); the second focuses on understanding how well the housing demands of different community groups are met by planning and infrastructure decisions (clause 3.23(2)).

Local authorities have discretion over the depth of analysis, but should consider that later sections of the Housing and Business Development Capacity Assessment (HBA) will be informed by the results. Clause 3.23(1) will help inform critical aspects of *plan-enabled* and *infrastructure-ready* capacity in clause 3.25; while clause 3.23(2) will add to the understanding of housing demand by subgroups in clause 3.24. The following section provides frameworks for the different analysis that can meet this policy requirement.

## Planning decisions and infrastructure provision (clause 3.23(1))

Clause 3.23(1) requires local authorities to acquire a better understanding of the impacts of planning and infrastructure on the housing market. Local authorities can use a variety of methods and information sources to ensure the foundation is properly set for the more detailed analyses required later. There are two main parts required for this clause; the first is to analyse affordability, the second to consider competitiveness.

### 7.1.1 Affordability

No single indicator can be used to assess housing affordability; a number of indicators are needed to analyse and monitor affordability trends. These can include basic ratios (eg, mean household income/mean house price) or indicators like the housing affordability measure (percentage of households spending 30 per cent or more of disposable income on housing) to gain initial insights into affordability. These affordability indicators are already provided for local authorities through the Ministry of Housing and Urban Development’s (HUD’s) [urban development dashboard](https://huddashboards.shinyapps.io/urban-development/), under market indicators.

To meet this requirement under the National Policy Statement on Urban Development (NPS‑UD), local authorities should use more complex methods to understand affordability in their local context (eg, affordability models accounting for catchments and subgroups, type and size of dwellings, number of earners in households, or total household size). The needs of different groups should be incorporated to meet the clause 3.23 requirements, and the methodology reasoning should be explained as part of the HBA and its insights regarding planning decisions.

#### 7.1.1.1 Example of affordability and planning linkage

At a high level, tracking affordability and capacity will give authorities a better understanding of the links between planning, infrastructure and affordability outcomes. Below is a hypothetical example of how a local authority might use planning and capacity assessments to understand issues of affordability.

|  |
| --- |
| Example 3: Linking affordability, planning and infrastructure  A local authority has five sub-areas they are assessing for their HBA. The authority finds that three are performing well for affordability, but two areas are not. They review the capacity and housing demand portions of their research, and discover that the first unaffordable area has doesn’t have enough infrastructure to meet the desired development capacity. The second area has sufficient infrastructure, but building density limits are constraining the supply of high-demand attached units and apartments in the area.  Having assumed the affordability issues are linked to different capacity constraints, the local authority may amend plans to allow infrastructure expansion in the first unaffordable area, and increased density in the second. |

### 7.1.2 Competitiveness

Competitive broadly means there is a sufficient supply of alternatives and opportunities for development, with the result that land prices are not artificially inflated through scarcity.

HUD’s [dashboard](https://www.hud.govt.nz/urban-development/urban-development-dashboard/) provides four price efficiency indicators to help local authorities in their HBA assessments. Three are directly related to housing and residential land, and the fourth uses residential land as one of the modelling components. All four can assist local authorities in understanding competitiveness of their land markets. Note that these indicators are not the only information source that should be used, and local authorities are encouraged to build on these or create new assessments to fit their specific circumstances.

#### 7.1.2.1 Using price efficiency indicators

More detailed guidance for using these indicators, including methodologies for how they were created and how they can be interpreted, is available through the [NPS-UDC guidance](https://www.mfe.govt.nz/publications/towns-and-cities/national-policy-statement-urban-development-capacity-guide-evidence). Information in table 3 is taken from the summary table on page 131 of the guidance.

Table 3: Price efficiency indicators

| Indicator | What it tells you | Description |
| --- | --- | --- |
| 1 Price-cost ratio (for homes) | A general indicator of the extent to which the costs of land or construction have been contributing to the prices of homes. This signals if there is a shortage of sections and development opportunities relative to demand. | House prices are compared to construction costs to estimate how much of the remaining price is driven by the cost of land (infrastructure-serviced sections) and whether this proportion is changing over time. |
| 2 Land ownership concentration indicators (for residential land) | Whether the market for new developable residential land is dominated by a few owners (who could significantly affect development opportunities and/or land prices). | Quantifies the amount of undeveloped residentially zoned urban land and how ownership of this is distributed across different land owners. |
| 3 Rural-urban differential (residential) | The impact on the value of urban sections at the edge of the city, of current land use regulations that constrain urban residential development capacity. Whether plans have been providing sufficient urban development capacity for homes | The modelled ratio and per square metre dollar difference between the values of all similar residential land parcels 2 kilometres either side of the boundary between urban and non-urban zones after major explainable other factors that affect different land values have been removed. |
| 4 Industrial zone differential | Whether zoning at specific locations matches current relative demands for different land uses. More expensive land uses may be more capacity constrained than cheaper land uses. A starting point for considering rezoning between uses. | Compares the values of properties 250 metres either side of the boundary between an industrial zone and other zones. These include commercial, residential or rural land. |

With respect to competitiveness, the price-cost ratios and rural-urban differentials can be helpful starting points for assessing the aggregate conditions of urban environments. They can show when planning or infrastructure is constraining development and potentially contributing to land price inflation. Neither indicator offers a granular assessment of the urban environment.

Land ownership concentration indicators might show where a few large land owners are land banking and potentially impacting land price and development potential; in this case, authorities may need to provide development capacity elsewhere or consider how to introduce competition for future zones.

The industrial zoning differentials can show how the price of residential-zoned land relates to that of other zoning categories. If the residentially zoned properties have a notably higher price, this may indicate pressure for more residentially zoned land and the potential insufficient capacity. This indicator is limited by the fact that industrial-zoned land is used as the basis for comparison. Information for locations without industrial land is not available.

#### 7.1.2.2 Creating more detailed indicators

While these indicators can help local authorities understand capacity and competitiveness issues at a higher level, more detailed assessments may be required to understand competitiveness in the locations identified for the HBAs in clause 3.25(2). Local authorities can choose to create new indicators or build on the methods provided in the [technical guidance](https://huddashboards.shinyapps.io/urban-development/). For instance, local authorities could build on the methodologies by adding parameters specific to their urban environment, making the results more fit for purpose. Another option is to apply the methods to sub areas of the region to create more granular information that better fits the locations chosen for the HBAs.

## Analysis of housing demand by Māori and other groups (clause 3.23(2))

Assessing demand from Māori for housing is required in clause 3.23(2). As there is wide variability between local authorities, their partnership with local Māori, and requirements under existing plans and strategies, local authorities will need to determine the best methods for assessing and monitoring Māori housing demand. Guidance to assist with this section is currently being developed.

Other groups should also be identified to satisfy clause 3.23(2). Population and cultural composition can vary widely between local authorities, and it can be helpful to do an initial population assessment to identify primary groups of interest for housing demand. As part of this assessment, it is important to be aware of existing plans or strategies (eg, pensioner housing strategies) that may influence future housing options. An example from Dunedin City Council (DCC) highlights one method of using household types as subgroups to assess demand.

|  |
| --- |
| Example 4: Dunedin City Council quantification of demand by household type  The following information was taken from [DCC’s 2019 HBA](https://www.dunedin.govt.nz/__data/assets/pdf_file/0010/704962/Housing-capacity-assessment-for-Dunedin-City.pdf). DCC chose to separate the population into household type subgroups. The first step to assess demand was to use results from a prior survey on housing choice to determine what type of dwelling was preferred by each group.    Population projects were performed that considered the changes in broad age groups. The projected change in age group composition allowed DCC to refine the assumptions for likely future household compositions.    By applying the dwelling type ratios to the household projections, DCC was able to quantify the expected demand for future dwellings. |

# Assessments by location and type (clauses 3.24 (1), 3.25(2) and 3.27(2))

As well as analysing different demographics, the National Policy Statement on Urban Development (NPS-UD) has added requirements that local authorities use greater detail when assessing demand (clause 3.24), supply (clause 3.25), and capacity (clause 3.27). This includes having more granularity on different locations in the urban environments, and dwelling types. These additions were made as having sufficient capacity at the aggregate level does not guarantee that demand for different types of housing in subareas will be met. Taking a more detailed approach helps ensure that the types of homes developed can better match the demand for a given location.

## Choosing location and types

Local authorities have discretion to choose how locations are identified for clauses 3.24 and 3.25, but should consider how the chosen locations complement other planning and strategy documents. Local authorities also have flexibility in choosing dwelling types (clause 3.24(3)) and must at a minimum “distinguish between standalone dwellings and attached dwellings”. When choosing housing types, the demands of the groups identified in clause 3.23(2) should be considered.

To satisfy subclause 3.27(2) for assessing sufficient development capacity, local authorities must compare the demand from clause 3.24 (plus competitive margins) with the supply from clause 3.25. For this comparison, it is important that local authorities retain a level of consistency between the granularities in outputs from the methods used for the two assessments.

# Housing demand assessment (clause 3.24(5))

Clause 3.24 outlines the requirements of a housing demand assessment, and clause 3.24(5) introduces new requirements for modelling demand. Local authorities must create a range of demand projections, identify the most likely projection, and provide assumptions and justification of why they have identified this as the most likely projection. This new requirement is similar to the Local Government Act 2002 (LGA) sections on long-term planning, and allow local authorities to use the same projections for a broader range of purposes. These changes are intended to provide a more robust, comprehensive and transparent analysis of future housing demand.

## Identifying and justifying the most likely projection (clauses 3.24(5)(b & c))

There are a number of important factors that must be considered when identifying the most likely demand projection for each time horizon. This includes producing models using the best and most current data available, or comparing projections from a number of providers (Infometrics, Stats NZ, academic research, etc) to establish projection ranges and find the best fitting scenario.

It is important to remain as objective as possible while selecting and justifying the preferred projections. Local authorities should avoid selecting projections based on desired or ambitious outcomes. At a high level, the best selection will have a well-reasoned explanation based on sound assumptions, be supported by the most up-to-date evidence, and consider both negative and positive growth pressures for a given area.

Another important part of demand projection is ensuring that the projection models used, and growth scenario selected, are not constrained by factors in the development capacity assessment in clauses 3.25 and 3.26. The Housing and Business Development Capacity Assessment (HBA) is designed to assess demand and supply separately, and compare the results of assessing sufficiency in clause 3.27. If demand is greater than supply, then the HBA will identify insufficiency, and mechanisms to address the insufficiency of development capacity in the National Policy Statement on Urban Development (NPS-UD) come into effect for clause 3.7.

## Additional information for demand assessment

Additional information for local authorities to consider when conducting the housing demand assessment includes:

* There is no set number of demand projections required. The expectation is for a low-, medium-, and high-growth projection as a minimum. If more projections are useful then local authorities are encouraged to produce more.
* At a minimum, demand models must distinguish between standalone and attached dwellings.
* Providers other than Stats NZ can be used to produce demand projections.
* Demand projections can be developed that incorporate requirements for other strategies and planning documents, such as those informing the long-term plan, to allow for application beyond the HBA.

Guidance for how to estimate demand was produced for the NPS-UDC in parts 2 and 3 of the [evidence and monitoring guidance](https://www.mfe.govt.nz/publications/towns-and-cities/national-policy-statement-urban-development-capacity-guide-evidence).

# Capacity assessments (clauses 3.25 and 3.26)

Clause 3.25 outlines the requirements for capacity assessments. There have been two key changes to these assessment requirements under the National Policy Statement on Urban Development (NPS-UD). The first is change is to the definition of *feasible*, which now allows for “reasonable adjustments to the relationship” of costs and revenue in the long term. The second change is the replacement of *take up* with *reasonably expected to be realised* in the definition of development capacity.

Although there have been changes, much of the National Policy Statement on Urban Development Capacity (NPS-UDC), the [evidence and monitoring guidance](https://www.mfe.govt.nz/publications/towns-and-cities/national-policy-statement-urban-development-capacity-guide-evidence) is still relevant to assessing capacity and for understanding the following sections. The rest of the section presents more information on clause 3.25 and highlights new requirements with examples from 3.26.

## Plan-enabled, infrastructure-ready (clause 3.25(1)(a–b))

The NPS-UD retains many aspects of the NPS-UDC’s guidance on development capacity, particularly the layering of the four areas of development capacity. The main change is to the last area of capacity, *take up*. This has been replaced with *reasonably expected to be realised*. The clause is paraphrased below:

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| --- |
| **3.25(1)** – Every HBA must quantify, for the short term, medium term, and long term, the housing development capacity for housing in the region and each constituent district of the tier 1 or tier 2 urban environment that is: …  c) plan-enabled, infrastructure-ready, and feasible and reasonably expected to be realised. |

The relationship between the four aspects of development capacity in clause 3.25 is shown in figure 1. Note that the figure is not to scale and is used only to illustrate how these aspects relate.

The first aspect, *plan-enabled capacity*, is the largest circle in the diagram, as it includes all land zoned or set aside for housing without accounting for any constraints. Clause 3.4(1) of the NPS-UD should be used to identify plan-enabled areas. The areas that can be considered plan-enabled depends on the timeframe involved. For the short term, only areas in an operative district plan are considered *plan-enabled* (subclause 3.4(1)(a)). The medium term allows for areas in either the operative or proposed district plan to be considered *plan-enabled* (subclause 3.4(1)(b)). The long term can be in an operative or proposed district plan, or indicated as future urban use or urban intensification in a Future Development Strategy (FDS) or other relevant plans or strategies.

Figure 1: Development capacity model

Diagram

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Only some of that land considered *plan-enabled capacity* will be *infrastructure ready*, as shown in figure 1, and some may also fall outside of the plan-enabled land (eg, intensification in single dwelling zone).

In the NPS-UD, *infrastructure ready* in the short term is defined as having adequate development infrastructure to support development of the land (subclause 3.4(3)(a)). In the medium term, *infrastructure ready* means either having adequate development infrastructure or having funding for adequate infrastructure identified in a long-term plan (subclause 3.4(3)(b)). For the long term, either the above definitions apply or when development infrastructure to support development capacity is identified in the infrastructure strategy (subclause 3.4(3)(c)).

## Commercially feasible (clause 3.25(1)(c))

Of the development capacity that is also *infrastructure ready*, only some of that capacity is likely to be commercially *feasible*. As with the NPS-UDC, the assumption is that not all plan‑enabled development capacity would be assessed as *feasible* to a developer, and it is less likely to occur outside of plan-enabled areas. The primary difference is to assess feasibility using the new definition outlined below.

### 10.2.1 Change in definition of feasible

The new definition for feasible in the NPS-UD is:

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| feasible means:  a) for the short term or medium term, commercially viable to a developer based on the current relationship between costs and revenue  b) for the long term, commercially viable to a developer based on the current relationship between costs and revenue, or on any reasonable adjustment to that relationship |

As with the NPS-UDC, feasibility is from the perspective of what would be viable to a developer. The assessment will still compare the costs and revenue that would be faced by a developer, including costs of the physical development and external costs such as development contributions.

However, the NPS-UD aims to create a balance between realistic and prudent assessments of commercial viability across time, by focusing on the current relationship between costs and revenue for the short and medium term, while allowing for “reasonable adjustments” to the relationship in the long term. This recognises prices can change over time, and sets out to achieve conservative estimates of viable development capacity for the short and medium term by keeping the relationship constant. This avoids the assumption that near-term sales prices will rise and automatically create feasible development capacity.

For longer term estimates of commercial viability, “reasonable adjustments”” can be made to the current relationship of costs and revenue to reflect changes in factors such as council investments in amenity, infrastructure, or building technologies. These adjustments should be supported with evidence that changes to the influencing factors are likely to occur (eg, changes are documented in plan or strategy), and to what extent the changes will affect the relationship between cost and revenue of development (eg, revenue may increase 5 per cent relative to cost) based on analysis or research.

## Reasonably expected to be realised (clause 3.25(1)(c))

The last aspect *reasonably expected to be realised* builds on the aspect of *take up* from the NPS-UDC. Both aspects assume that not all commercially feasible areas will be fully developed or reach their maximum potential density. Both also acknowledge the possibility that some development may fall outside areas enabled by the district plan (ie, resulting from a private plan change or non-complying or discretionary consent).

Using what is *reasonably expected to be realised* means realistic supply assessments fall on the conservative side, and avoids an undersupply of development capacity. This is accomplished through a better understanding of ownership, developer intentions, and the timing and staging of development that will complement the quantitative analysis. It provides a wider view of the market, improves planning’s responsiveness to demand, and leads to a more competitive market. Example 5 illustrates the difference from the NPS-UDC:

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| Example 5 Reasonably expected to be realised  As a hypothetical example, to begin the assessment of development that is “reasonably expected to be realised” for the NPS-UD, a council has performed a similar quantitative analysis of building consent trends to determine “take up” as was used for the NPS-UDC. However, after incorporating the findings of landholder and developer intentions (as recommended by the NPS-UD), the council found that the amount of feasible development capacity that is “reasonably expected to be realised” in the short and medium terms was reduced by 40 per cent. In other words, they will need to enable at least an additional 40 per cent more feasible capacity than was required under the NPS-UDC, to achieve the same final amount of development capacity. This idea builds on that shown in figure 2 discussing sufficiency under clause 3.27. |

## Examples for estimating feasible and reasonably expected to be realised (clause 3.26)

Clauses 3.26(1) and (2) give examples of assessing and calculating development capacity that is feasible and reasonably expected to be realised. As for the NPS-UDC, the use of land owners’ and developers’ intentions may complement any quantitative analysis performed, though the NPS-UD offers local authorities more discretion over their methodologies used under clause 3.26(1). Note that these are only examples, and local authorities are encouraged to use any appropriate alternatives, as long as they “outline and justify the methods, inputs, and assumptions used to arrive at the estimates” according to clause 3.26(1)(b).

The bullet points below show the council HBA that each clauses methodology was based on:

* 3.26(2)(a) – [Wellington City Council (WCC)](https://www.pncc.govt.nz/media/3132474/housing-and-business-development-may-2019.pdf)
* 3.26(2)(b) – [Tauranga City Council (TCC)](https://www.smartgrowthbop.org.nz/media/2094/smartgrowth-nps-udc-housing-and-business-capacity-assessment-2017_final-for-sg-website.pdf)
* 3.26(2)(c) – [Dunedin City Council (DCC)](https://www.dunedin.govt.nz/__data/assets/pdf_file/0010/704962/Housing-capacity-assessment-for-Dunedin-City.pdf)
* 3.26(3)(a–b) – [Palmerston North City Council (PNCC)](https://planningforgrowth.wellington.govt.nz/__data/assets/pdf_file/0015/3282/Wellington-Regional-HBA-Chpt-2-Wellington-City-Council.pdf).

### 10.4.1 Wellington City Council (clause 3.26(2)(a))

Below is WCC’s methodology as outlined in the NPS-UD.

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| **3.26(2)(a)** – separately estimate the number of feasible dwellings (using a feasibility model) and the number of dwellings that can reasonably be expected to be realised (using building consents data on the number of sites and extent of allowed capacity that has been previously developed), for the short, medium and long term; compare the numbers of dwellings estimated by each method; then pick the lower of the numbers in each time period, to represent the amount of development capacity that is feasible and reasonably expected to be realised. |

WCC did two exercises, complex feasibility modelling and analysis of building consent data. These two exercises produced development capacity figures. The two results were then compared, and the lower estimate was picked. [Appendix 1.3](https://planningforgrowth.wellington.govt.nz/__data/assets/pdf_file/0021/3288/Wellington-Regional-HBA-Chpt-7-Appendix-Appendix-1,-2-and-3.pdf) outlines both the feasibility and realised work that was performed by Property Economics for [WCC’s last HBA](https://planningforgrowth.wellington.govt.nz/__data/assets/pdf_file/0015/3282/Wellington-Regional-HBA-Chpt-2-Wellington-City-Council.pdf).

### 10.4.2 Tauranga City Council (clause 3.26(2)(b))

Below is TCC’s methodology as outlined in the NPS-UD.

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| **3.26(2)(b)** – estimate the number of feasible dwellings or sites, and then assess the proportion of these that can reasonably be expected to be developed in the short, medium and long term, using information about landowner and developer intentions. |

The policy outlines TCC’s approach. The exercise was a bespoke, customised investigation into greenfield sites. The first step is calculating feasibility; guidance on calculating feasibility can be found in the NPS-UDC [evidence and monitoring guide](https://www.mfe.govt.nz/publications/towns-and-cities/national-policy-statement-urban-development-capacity-guide-evidence). The second step involves engaging with developers and land owners to find out their intentions. Using this information, what is *reasonably expected to be realised* as a portion of feasibility can be quantified. It is important to note that this method was only used for greenfield areas. The feasibility modelling for this was relatively simple, because it concluded all the capacity was feasible. The issue lay in the timing of when that development would be realised.

This wasn’t an effective method in brownfield areas for Tauranga, because most of the new capacity is added in greenfield areas and there is currently little redevelopment in brownfield areas. This highlights the importance of subclause 3.26(4), which is about using appropriate methods for calculating different typology and location.

### 10.4.3 Dunedin City Council (clause 3.26(2)(c))

Below is DCC’s methodology as outlined in the NPS-UD.

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| **3.26(2)(c)** – integrate information about past development trends and future landowner and developer intentions into the feasibility model, which could mean modifying assumptions about densities, heights, and timing of development. |

The policy outlines DCC’s methodology. This method for calculating *reasonably expected to be realised*capacity is only a one-step process. The normal feasibility modelling is done, but land owner and developer intentions are built into the model. An example from DCC’s last HBA is:

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| --- |
| Example 6 DCC residential zone development assumptions  Once the maximum floor space per site has been calculated, the model applies additional assumptions to ensure modelled developments are realistic. Properties within the inner-city residential zone are limited to three storeys, and other residential zones are limited to two storeys. While this is less than what is permitted under the District Plan, it reflects the scale of current development. This information was obtained through looking at historic building consent data. |

This example shows that analysing building consent data can reveal information about development. In this case, only two and three storeys were actually being built, despite DCC’s plan enabling more intensive development. This information was added to DCC’s feasibility model, and better reflected capacity that was reasonably expected to be realised.

When using this method, it’s important to be aware that assumptions in the model are based on current market conditions. For example, if certain zoning restrictions were removed, then the development market might respond by building up to four storeys. Therefore, when there are changes to planning rules, this method has issues because past data is not as reliable. This highlights the importance of talking with developers and updating the HBA every three years to account for changes in demand and supply.

### 10.4.4 Palmerston North City Council (clause 3.26(3)(a–b))

Below is PNCC’s methodology as outlined in the NPS-UD.

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| **3.26(3)(a&b)** – assess the number of dwellings that can reasonably be expected to be developed (using building consents data on the number of sites and extent of allowed capacity that has been developed previously), for the short, medium and long term; and then seek advice from the development sector about what factors affect the feasibility of development. |

The policy outlines PNCC’s two-step approach. First, the amount of *reasonably expected to be realised* capacity is assessed using building consent data. Then feasibility can be factored in by collecting information from the development sector to determine what the applied (in practice) outcomes are, based on their judgement and experience. Information on this methodology can be found in sections 6.117 to 6.144 of [PNCC’s HBA](https://www.pncc.govt.nz/media/3132474/housing-and-business-development-may-2019.pdf).

# Assessment of sufficiency (clause 3.27)

Clause 3.27 outlines the requirements for calculating sufficiency, which primarily consists of combining the demand from clause 3.24 with the capacity identified in clause 3.25. These requirements have remained largely the same as those in the National Policy Statement on Urban Development Capacity (NPS-UDC), with changes to the use of competitiveness margin and “reasonably expected to be realised” development capacity. This section will discuss these requirements, with a worked example to provide a better understanding of how all the new policies fit together.

## Sufficiency in the NPS-UDC vs the NPS-UD

Figure 2 shows the key differences between the National Policy Statement on Urban Development (NPS-UD) and the NPS-UDC relating to sufficiency calculation and the impacts of the reasonably expected to be realised requirement of development capacity.

Figure 2: Calculating sufficiency the NPS-UDC vs the NPS-UD

Chart

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In Figure 2 there are three main scenarios. The most important one to focus on is scenario 2, which illustrates that although sufficiency would be met under the NPS-UDC, it would not be in the NPS-UD. This is because not all feasible land would be realised under the NPS-UD criteria. Scenario three shows that more plan-enabled and feasible land must be enabled to meet the at least sufficient requirement for the NPS-UD. The worked example below builds on Figure 2 by adding quantities to each of the scenarios to highlight the same message.

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| Worked example of Figure 2  A council has completed their housing demand assessment, and found that in the short term they need 100 new dwellings more than currently provided for in their district plan. Then they add the 20 per cent competitiveness margin to this number, which gives a demand plus margin result of 120. This council therefore needs to provide 120 dwellings worth of development capacity.  They have three development capacity scenarios (1, 2, 3).  In scenario 1 the council proposes enabling 140 new dwellings. Of these 110 are feasible, and 90 are feasible and reasonably expected to be realised. Under both the NPS-UDC (90 < 120) and NPS-UD (110 < 120) definitions there is insufficient development capacity.  In scenario 2 the council proposes 180 dwellings. Of these, 130 are feasible and 110 are feasible and reasonably expected to be realised. Under the NPS-UDC (130 > 120) there is sufficient development capacity but for the NPS-UD (110 < 120) there is insufficient capacity.  Scenario 3 proposes 200 dwellings, of which 160 are feasible, and 130 are feasible and reasonably expected to be realised. This shows that for sufficiency to be met under the NPS‑UD there needs to be higher levels of plan-enabled capacity provided, as well as commercially feasible land that is infrastructure serviced or ready. |

## When insufficiencies are identified (clause 3.27(3))

In the event that any insufficiency is identified, the NPS-UD has added a new clause (3.27(3)), which requires the local authority to “Identify where and when this will occur and analyse the extent to which RMA planning documents, a lack of development infrastructure, or both, cause or contribute to the insufficiency”.

The first aspect of this is to identify when and where the insufficiency will happen. “When” is defined in terms of short, medium, and long term; all terms that will experience a shortfall should be addressed. “Where” means the location(s) (such as those determined for clauses 3.24(1) and 3.25(2)) that will experience shortfall. This should include some detail on the type (eg, attached dwellings), the quantity of shortfall, and ideally the community groups affected by the shortfall.

The second aspect deals with addressing how planning or lack of infrastructure contributes to the shortfall. This will require local authorities to assess how various Resource Management Act 1991 (RMA) planning documents and the provision of infrastructure contribute to constraints, and to determine the best options for creating capacity. Examples of constraints include an insufficient area for a type of zone or zone rules, such as minimum setbacks and impermeable surface limitations, which can hinder higher densities or infill. When faced with capacity shortfalls, such limitations could prompt a review of zone rules to help unlock capacity in existing residential area. Other local authorities may have capacity shortfalls due to insufficient suitable greenfield areas for new residential development; for instance, due to issues with slopes or liquefaction. These areas could be used for development by establishing building requirements that help mitigate risks for dwellings built in the zone.

# Housing bottom lines (clause 3.6)

The assessment of housing sufficiency in clause 3.27 underpins creating housing bottom lines. Housing bottom lines in the National Policy Statement on Urban Development (NPS-UD) have replaced a set of targets from the National Policy Statement on Urban Development Capacity (NPS-UDC). The NPS-UD wording is intended to change perception of housing targets from a maximum or fixed amount required, to a bottom line of what is at minimum needed but more could be produced.

This is intended to function as both an accountability mechanism and a means for local authorities to be proactive in responding to projected demand and enabling supply. The new requirements are paraphrased below:

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| --- |
| **3.6(1)** – The purpose of the housing bottom lines required by this clause is to clearly state the amount of development capacity that is sufficient to meet expected housing demand plus the appropriate competitiveness margin…  **3.6(2)** – For each tier 1 or tier 2 urban environment, as soon as practicable after an HBA is made publicly available, the relevant regional council or territorial authority must insert into its regional policy statement or district plan a housing bottom line for the short-medium, and long term. |

These bottom lines ensure regional policy statements and district plans enable at least sufficient development. Including bottom lines ensures planning decisions account for the required minimum development capacity to meet demand, rather than a maximum target that may be aspirational and not achieved. Bottom lines are yet another opportunity for the HBA to integrate evidence across the planning space.

The implementation of this policy is fairly simple. On the following page, Figure 3 outlines the process of producing housing bottom lines.

Figure 3: Housing bottom lines

Diagram

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# Informing well-functioning urban environments (clause 3.11(b))

Clause 3.11 sets out the requirement that local authorities:

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| **3.11(b)** … use evidence, particularly any relevant HBAs, about land and development markets, and the results of the monitoring required by this National Policy Statement, to assess the impact of different regulatory and non-regulatory options for urban development and their contribution to:  (i) achieving well-functioning urban environments … |

Policy 1 provides the minimum aspects of a well-functioning urban environment that local authorities must consider for clause 3.11(b)(i).

|  |
| --- |
| **Policy 1:** Planning decisions contribute to well-functioning urban environments, which are urban environments that, as a minimum:  a) have or enable a variety of homes that:  (i) meet the needs, in terms of type, price, and location, of different households; and  (ii) enable Māori to express their cultural traditions and norms; and  b) have or enable a variety of sites that are suitable for different business sectors in terms of location and site size; and  c) have good accessibility for all people between housing, jobs, community services, natural spaces, and open spaces, including by way of public or active transport; and  d) support, and limit as much as possible adverse impacts on, the competitive operation of land and development markets; and  e) support reductions in greenhouse gas emissions; and  f) are resilient to the likely current and future effects of climate change. |

It is important to note that these are only the minimum aspects outlined by Policy 1 to ensure local authorities include adequate information about markets for housing and business land in their planning processes. Local authorities are encouraged to explore other aspects that may be important to their specific communities, and conduct additional research and analysis (beyond the Housing and Business Development Capacity Assessment (HBA) process) that may support well-functioning urban environments. Additional information on how the HBAs relate to each aspect of Policy 1 is presented in the following sections.

## Policy 1(a)(i)

For this policy, clause 3.23 sets out the minimum requirements for household groups and market and price efficiency indicators to be analysed for planning. The housing sufficiency analysis process of the HBA will provide further evidence on the demand (clause 3.24), capacity (clause 3.25), and sufficiency (clauses 3.26 and 3.27) for the variety of homes needed to create a well-functioning urban environment. These sections will be supported by the assessment of market indicators required in clause 3.23(3) and the analysis of how “planning decisions and provision of infrastructure affects the affordability and competitiveness” required for clause 3.23(1).

## Policy 1(a)(ii)

This policy informs the requirement for assessing Māori demand for housing under clause 3.23(2), which will help inform planning decisions for well-functioning urban environments. Taken together, Policy 1(a)(ii) and clause 3.23(2) will require more than quantifying the type of dwelling (eg, detached, attached, or apartment) needed to meet Māori housing demand. The HBA assessment should describe aspects such as the demand for papakāinga housing, development trends on Māori land, identifying the impediments to living on or developing Maori land, or barriers to using traditional housing options. More guidance is being produced to assist with assessing Māori demand.

## Policy 1(b)

Tier 1 and 2 local authorities are required to assess demand (clause 3.28), capacity (clause 3.29), and sufficiency (clause 3.30) of various business land types. This, at a minimum, requires assessing land or floor area “for commercial, retail, or industrial uses” and “include suitability in terms of location and site size.”

## Policy 1(c)

Using the evidence from the HBA on housing and business land will help inform the degree of accessibility between people and jobs. In practice, the HBA should identify nuances in demand and where potential insufficiencies in planning and capacity to meet demand exist. By ensuring that both housing and business land capacity are met across the urban environment, it is more likely that housing and employment needs are matched.

## Policy 1(d)

The price efficiency indicators can be used to perform an initial assessment on the competitiveness for different types of land. Technical guides on how to use these indicators are included in the [urban development dashboard](https://www.hud.govt.nz/urban-development/urban-development-dashboard/). In addition to the price efficiency indicators, the competitive margins required for tier 1 and 2 local authorities in clause 3.22 will provide evidence that can be used to assess and support competitiveness in land markets.

## Policy 1(e)

Promoting intensification and creating well-functioning urban environments under HBAs is expected to minimise factors of urban environments that contribute to greenhouse gas (GHG) emissions. For example, by increasing density, emphasising transit areas, and creating better connections between jobs and housing, there will be reductions in sprawl and long commutes (which contribute to emissions).

## Policy 1(f)

Issues related to climate change should be incorporated into the HBA through the various assessments that are required. Methodologies will likely include climate change and hazard layers (eg, for coastal erosion zones, sea-level rise, or flood events) where needed, to assess what is feasible and reasonably expected to be realised. For instance, areas in coastal erosion zones may increase the cost of private development (mitigation) or reduce the chances that infrastructure will be provided. By capturing these effects in HBA assessments, local authorities will be able to provide more flexible options for growth and adaptation.