



COVERSHEET

Minister	Hon Chris Bishop Hon Chris Penk	Portfolio	RMA Reform Building and Construction
Title of Cabinet paper	Making it easier to build granny flats	Date to be published	30 July 2024

List of documents that have been proactively released

Date	Title	Author
	<i>Making it easier to build granny flats</i>	<i>Office of the Minister Responsible for RMA Reform</i> <i>Office of the Ministry for Building and Construction</i>
	<i>Cabinet minute: CBC-24-MIN-0052</i>	<i>Cabinet Office</i>

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.



Cabinet Business Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Making it Easier to Build Granny Flats

Portfolios **RMA Reform / Building and Construction**

On 10 June 2024, the Cabinet Business Committee:

- 1 **noted** that the Coalition Agreement between the National Party and the New Zealand First Party contains a commitment to amend the Building Act 2004 and the resource consent system to make it easier to build granny flats or other small structures up to 60 square metres by requiring only an engineer's report;
- 2 **agreed** to the release of the discussion document *Making it Easier to Build Granny Flats* (the discussion document), attached to the paper under CBC-24-SUB-0052, for public consultation;
- 3 **authorised** the Minister Responsible for RMA Reform and the Minister for Building and Construction to make minor and technical amendments, and editorial changes as appropriate, to the discussion document before it is released;
- 4 **noted** that the discussion document will be released on 17 June 2024 for an eight-week consultation period;
- 5 **noted** that the Minister Responsible for RMA Reform and the Minister for Building and Construction intend to report back to the Cabinet Economic Policy Committee later in 2024 on the outcome of the consultation and with policy proposals for reform.

Jenny Vickers
Committee Secretary

Present:

Rt Hon Christopher Luxon (Chair)
Hon David Seymour
Hon Nicola Willis
Hon Chris Bishop
Hon Brooke van Velden
Hon Dr Shane Reti
Hon Simeon Brown
Hon Erica Stanford
Hon Judith Collins KC
Hon Louise Upston

Officials present from:

Office of the Prime Minister
Department of the Prime Minister and Cabinet
Office of the Minister Responsible for RMA Reform
Office of the Minister for Child Poverty Reduction

[In Confidence]

Office of the Minister Responsible for RMA Reform

Office of the Minister for Building and Construction

Cabinet Business Committee

Making it easier to build granny flats

Proposal

- 1 This paper seeks agreement to release a discussion document on proposals to enable granny flats and other small structures up to 60 square metres in the Building Act 2004 (Building Act) and Resource Management Act 1991 (RMA).

Relation to government priorities

- 2 This proposal relates to a commitment in the coalition agreement between the National Party and the New Zealand First Party to *'amend the Building Act and the resource consent system to make it easier to build granny flats or other small structures up to 60sqm, requiring only an engineer's report'*. It supports the outcomes in the Government's 'Going for Housing Growth' work programme and the 100-point plan to rebuild the economy.

Executive Summary

- 3 We seek agreement to release a discussion document on proposals to deliver the Government's commitment to make it easier to build granny flats. This consultation will inform subsequent policy design and legislative processes. Consultation is planned for an 8-week period and will be announced on 17 June 2024.

Background

- 4 New Zealand has some of the least affordable housing in the world and home ownership dropped from 74 per cent in the 1990s to 65 per cent in 2018. Over the 12 months to June 2023, average housing costs per week increased 14.5 per cent.
- 5 High housing costs have a greater impact on seniors on fixed incomes, Māori, Pacific people, and people with disabilities.
- 6 There is poor alignment between household size and number of bedrooms, suggesting a substantial undersupply of one- and two-bedroom homes for smaller households. In the 2018 census, more than half of households had one or two people, but only a quarter of our homes had less than three bedrooms.
- 7 Removing building and resource consent requirements for qualifying buildings is expected to lower the cost, time and regulatory burden to build a granny flat. This should increase the supply of small homes and enable a more diverse range of affordable housing for New Zealanders.

Analysis

- 8 The attached discussion document proposes creating a pathway for granny flats and other small structures to be built without requiring a building or resource consent.

Safeguards are needed to manage risks

- 9 Removing the requirement for building and resource consent has risks in relation to building safety and performance, environmental effects, insurance, finance, and infrastructure planning and funding. The proposals in the discussion document aim to mitigate these risks.

Ensuring granny flats meet building performance requirements

- 10 The attached discussion document proposes adding a new schedule to the Building Act to provide a building consent exemption for granny flats up to 60 square metres. The new schedule would include a set of criteria that proposed work on a granny flat would be required to meet to be exempt from the need for a building consent.
- 11 This new schedule would be similar in structure to Schedule 1 of the Building Act 2004. Schedule 1 of the Act specifies certain low-risk building work that is exempt from building consent requirements, such as garages and sleepouts. Granny flats represent a higher level of risk and therefore do not align with existing exemptions in Schedule 1. While exempt from building consent requirements, all building work must still comply with the Building Code and Building Consent Authorities can issue a Notice to Fix if it does not.
- 12 The proposed criteria for this new building consent exemption would require granny flats to be of a simple, conventional construction and notified to councils. These criteria will help mitigate risks to the health and safety of building users and risks of property damage that could be caused by collapse, weathertightness failure, fire, and insanitary plumbing. The full criteria are in the attached discussion document.
- 13 We propose that an engineer's report would not be required, but that building work would need to be completed (or supervised) by suitably competent regulated professionals. Early engagement with engineers indicated concerns about taking on an approval role and potential increased costs, including from introducing engineering services where they otherwise may not be required.

Ensuring granny flats meet resource management standards

- 14 In the resource management system, the discussion document proposes a national environmental standard (NES), which is a regulation under the RMA that can set out rules and standards. The proposed NES would take effect on commencement and would not require councils to go through a plan change process.
- 15 The proposed NES will enable 'minor residential units'¹ subject to proposed permitted activity standards (set out in the attached discussion document). These include maximum internal floor area (60sqm), maximum building coverage and minimum setback requirements. The discussion document tests options for some of these standards, including different standards for residential and rural zones.

Infrastructure funding

- 16 It is important that local government can fund infrastructure, and that growth can pay for growth. Currently, the main tool councils use to fund infrastructure required by

¹ defined in the National Planning Standards as "a self-contained residential unit that is ancillary to the principal residential unit and is held in common ownership with the principal residential unit on the same site".

IN CONFIDENCE

new developments is a development contribution. Councils rely on approvals in the building and resource consent processes to collect development contributions.

- 17 The discussion document seeks views on options to fund local government infrastructure. Options include requiring either a Property Information Memorandum under the Building Act or a Permitted Activity Notice under the RMA (which would require legislative change to the RMA). These processes would require a property owner to provide prescribed information to the relevant council on the granny flat. Either option would require amendments to the Local Government Act 2002.
- 18 Notification requirements provide greater assurance to current and future owners, and to potential finance and insurance providers. They enable councils to measure local and national level increases in the supply of dwellings, and update rating and valuation records and update rating and valuation records. These proposals would also support government information on housing targets and wider data and information management.

Māori land, papakāinga and kaumātua housing

- 19 The proposals in the building and resource management systems may go some way to addressing the regulatory challenges for developing on Māori land, and for papakāinga and kaumātua housing, where the circumstances of these proposals apply. In particular, these proposals will apply in the resource management system where this housing is ancillary to a primary dwelling and are held in common ownership.
- 20 There are a number of broader challenges to building and development on Māori land, beyond the building and resource management system. These are out of scope of these proposals. National direction under the RMA to specifically enable papakāinga is being scoped separately.

Benefits for seniors

- 21 While the proposals are not specifically targeted towards seniors, they provide a number of potential benefits for our senior population. Granny flats can support multi-generational living which has many financial and social benefits for families and is an opportunity to use existing housing stock more efficiently. Further, enabling diversified tenure choices can assist seniors to move into owner-occupied housing more easily and away from rental accommodation where they may require Accommodation Supplement support.

Release of discussion document

- 22 We seek agreement to publish the attached discussion document and to consult on the policy proposals to make it easier to build granny flats without resource or building consents. The discussion document seeks specific feedback on conditions that must be met to build without a building consent or a resource consent. Consultation is planned for a 8 week period and will be announced on 17 June 2024.
- 23 s 9(2)(f)(iv) [REDACTED]
[REDACTED] Following consultation, we will report back to Cabinet to seek final policy approvals s 9(2)(f)(iv) [REDACTED]
[REDACTED]

- 24 In the resource management system, the proposed NES would be delivered through an integrated national direction package, intended to be delivered by mid-2025.

Cost-of-living Implications

- 25 There are no direct cost of living implications from this paper.
- 26 If reducing the barriers to granny flats results in more small, standalone homes being built it will create a supply of more affordable homes for New Zealanders, reducing the cost of living.

Financial Implications

- 27 There are no direct financial implications to the Crown from this paper.
- 28 Buildings exempt from building consents do not pay the Building Levy and the Building Research Levy. MBIE estimates there will be a revenue impact of approximately \$450 in combined foregone Levy per exempt granny flat.

Legislative Implications

- 29 There are no direct legislative implications of this paper. However, delivering the proposals would require amending legislation and developing regulation.

- 30 s 9(2)(f)(iv)

Impact Analysis

Regulatory Impact Statement

- 31 As requested by the Ministry for Regulation, a quality assurance panel from the Ministry for the Environment and the Ministry of Business, Innovation and Employment have reviewed the discussion document and determined that it contains sufficient impact analysis and partially meets the criteria to support Cabinet's decision to release it. Therefore, a separate regulatory impact statement (RIS) is not required at this stage.
- 32 A full RIS will be completed at a later stage to inform Cabinet's final decisions on this proposal.
- 33 Treaty impact analysis will be developed alongside the policy to support final policy decisions. This will include identifying and considering relevant Crown obligations under existing Treaty settlements.

Climate Implications of Policy Assessment

- 34 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not yet apply to this proposal, as it is at the discussion document phase. The CIPA team will be consulted once final policy decisions are made later this year and the proposal is in the Cabinet paper phase.

Population Implications

- 35 There are no direct population impacts from the proposal to release this discussion document. However, there is evidence that groups including Māori, Pacific Peoples, people of lower socioeconomic status, migrants, and seniors experience higher rates of housing unaffordability. The feedback on the discussion paper will provide a better understanding of the population impacts and inform regulatory impact analysis.

Human Rights

- 36 The proposals in this paper have no human rights implications.

Use of external Resources

- 37 No external resources were used in the policy development for this paper.

Consultation

- 38 Agencies including the Treasury, Department of Internal Affairs, Ministry of Housing and Urban Development, Te Puni Kōkiri, Ministry of Transport, Ministry for Culture and Heritage, Ministry for Primary Industries, Ministry for Regulations, Department of Conservation and Department of the Prime Minister and Cabinet, have been consulted on this Cabinet paper and associated discussion document.

Communications

- 39 This discussion document will be announced on 17 June 2024. This will be accompanied by a media release and social media promotion of the consultation.
- 40 In addition, the Ministry of Business, Innovation and Employment and Ministry for the Environment will carry out targeted engagement with treaty partners and key stakeholders including local government.

Proactive Release

- 41 We intend to release this Cabinet paper proactively, subject to redactions as appropriate under the *Official Information Act 1982*.

Recommendations

The Minister Responsible for RMA Reform and Minister for Building and Construction recommend that the Committee:

- 1 **note** that the Coalition Agreement between the National Party and the New Zealand First Party contains a commitment to “amend the Building Act and the Resource Consent system to make it easier to build granny flats or other small structures up to 60sqm requiring only an engineer's report”;
- 2 **agree** to the release of the attached discussion document ‘*Making it easier to build granny flats*’ for public consultation;
- 3 **authorise** the Minister Responsible for RMA Reform and Minister for Building and Construction to make minor and technical amendments, and editorial changes to the discussion document before it is released;

IN C O N F I D E N C E

- 4 **note** that the Acting Prime Minister will announce the discussion document on 17 June 2024, and will issue a press release;
- 5 **note** that the Minister Responsible for RMA Reform and Minister for Building and Construction intend to report back to Cabinet later in 2024 with outcomes from the consultation and on policy proposals for reform.

Hon. Chris Bishop
Minister Responsible for RMA Reform

Hon. Chris Penk
Minister for Building and Construction