

## 10.1 NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT 2020

The National Policy Statement on Urban Development 2020 (NPSUD) came into effect on 20th August 2020 and replaced the National Policy Statement on Urban Development Capacity 2016.

Within this document Palmerston North City is classed as a Tier 2 local authority.

The objectives of the NPSUD include:

- Ensuring planning decisions improve housing affordability by supporting competitive and land and development markets.
- District Plans enable more people in areas of an urban environment where one or more of the following apply:
  - The area is near a centre zone or other area with employment opportunities.
  - The area is well serviced by existing or planned public transport.
  - There is high demand for housing land in the area, relative to other areas within the urban environment.
- Planning decisions relating to the urban environments take into account the principles of the Treaty of Waitangi.
- Local authority decisions are:
  - Integrated with infrastructure planning and funding.
  - Strategic over the medium and longer term.
  - Responsive to proposals that add development supply.

Policies to achieve these objectives include:

- Planning decisions are to support well functioning urban environments.
- All local authorities are to provide sufficient development capacity to meet expected demand for housing over both the short medium and long term.
- The District Plan shall enable heights and density of urban form commensurate with the greater of:
  - The level of accessibility to active or public transport to a range of commercial activities and community services or
  - Relative demand for housing and business use on that location

As detailed in Section 6, Palmerston North is not currently meeting the requirement of providing at all times sufficient development capacity to meet expected demand for housing. This Plan Change requires no Council infrastructure investment other than minor intersection improvements which will be addressed through a Development Agreement.

The proposal provides for a well functioning environment in that it provides a variety of sites for homes, has good accessibility to employment, services and natural spaces and because of that will support reductions in greenhouse gas emissions.

Policy 8 is of particular relevance in that it requires local authorities to be responsive to plan changes that would add significantly to development capacity and contribute to well functioning urban environments, even if the development capacity is:

- Unanticipated by RMA Planning documents; or
- Out of sequence with planned land release.

Part 3.8 expands on how Policy 8 is to be implemented. It requires the local authority to have particular regard to the development capacity provided by the plan change if that development capacity:

- (a) Would contribute to a well functioning urban environment
- (b) Is well connected along transport corridors; and
- (c) Meets the criteria established in the Regional Policy Statement as adding significantly to development capacity.

The Regional Council has sought to address the significant development criteria in Proposed Change 3 to the Regional Policy Statement. Those criteria are set out below and also embrace the other requirement of Part 3.8.

Proposed RPS Policy UFD-P6 states:

(1) Unanticipated or out of sequence development will add significantly to development capacity\* where:

(a) the location, design and layout of the development will contribute to a well-functioning urban environment\*,

(b) the development is well-connected along transport corridors, and to community services\*, and open space,

(c) the development will significantly contribute to meeting demand for additional urban land identified in a Housing and Business Development Capacity Assessment\*, or a shortfall identified by undertaking the monitoring requirements outlined in the National Policy Statement on Urban Development 2020, including meeting housing bottom lines\*, or specific housing and price needs in the market,

(d) the development will be realised in the short term\* and before anticipated planned urban development,

(e) there is adequate existing or upgraded development infrastructure\* to support development of the land\* without adverse effects\* on the provision or capacity of other planned development infrastructure\* including planned infrastructure\* expenditure, and

(f) the development avoids adverse effects\* on infrastructure^ and other physical resources of regional or national importance as far as reasonably practicable.

(2) If the above criteria are met, the Regional Council and Territorial Authorities\* must have particular regard to the contribution the development will have towards achieving UFD-P2.

In relation to the above, the assessments demonstrate that the proposal will contribute to a well functioning urban environment. The development is well connected along transport corridors, and is accessible to community services and open spaces.

Latest monitoring and capacity assessment demonstrates a material shortfall in short and medium term supply which will be assisted by this proposal. The expected yield of 186 houses is considered a significant contribution to meeting this demand and will contribute to the housing bottom line for Palmerston North stated in the RPS as 5045 for the period June 20021 to June 2031.

The development can be undertaken in the short term as services are available and any relatively minor transport mitigation and Council stormwater main will be funded by way of a Development Agreement.

Other planned urban development is detailed in Section 6 which shows a material infrastructure lag for the larger greenfield growth areas and 3-5 year lag for the short/ medium term areas.

There are no adverse effects on regional and nationally important infrastructure.

Consequently, the NPS-UD and RPS requires the Council to have particular regard to the contribution to supply from this proposal.

## 10.2 NATIONAL POLICY STATEMENT FOR HIGHLY PRODUCTIVE LAND 2022

The National Policy Statement for Highly Productive Land (NPS-HPL) came into effect in October 2022. It applies to land in Land Use Classes 1,2 and 3. Regional Councils are required to map the land involved but in the interim it applies to land identified in those classes and zoned General Rural or Rural Production. Land is also exempt if it is identified for future urban development, or is subject to a Council initiated or adopted plan change to rezone it to urban or rural lifestyle.

The Perrin Ag assessment confirms that the land is Class 2 with a wetness limitation that limits the productive potential. The NPS-HPL seeks to prioritise highly productive land for land based primary production and avoid urban rezoning of this land except if it meets the pathway tests in Section 3.6.

Section 3.6 applies to Tier 1 and 2 territorial authorities which includes PNCC. Under this section rezoning is allowed only if all of the following three tests are met:

The first is that *“the urban zoning is required to provide sufficient development capacity to meet demand for housing or business land to give effect to the National Policy Statement on Urban Development 2020.”*<sup>1</sup>

The second test is that *“There are no other reasonably practicable and feasible options for providing at least sufficient development capacity within the same locality and market while achieving a well functioning urban environment.”*<sup>2</sup>

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<sup>1</sup> NPS-HPL 3.6(1)(a)

<sup>2</sup> NPS-HPL 3.6(1)(b)

Clause 3.6(2) of the NPS-HPL requires alternatives to include greater intensification of existing urban areas, land that is not highly productive land and different highly productive land that has a lower productive capacity.

The third test is that *“the environmental, social, cultural and economic benefits of rezoning outweigh the long term environmental, social, cultural and economic costs associated with the loss of highly productive land for land based primary production, taking into account both tangible and intangible values.”*

In order to inform this assessment Insight Economics was commissioned to carry out an economic assessment of the Plan Change against the NPS-HPL requirements. This is included at Appendix N.

Their analysis of the housing market and capacity of supply supports the assessments that there is likely to be a significant shortfall over the short-medium term. Indeed, they consider that it may be more severe than the Councils assessment as they consider capacity has been overstated. The assessment concludes with a short medium term shortfall of 2580 dwellings.

Despite the 2023 HBCA which includes short term greenfield capacity that is not yet infrastructure ready, it is readily apparent that this urban zoning is required to provide sufficient development capacity to meet demand for housing or business land to give effect to the NPS-UD.

The proposal passes the first test.

In addressing the second test Insight went beyond the “same locality and market” requirement and adopted a Citywide approach reflecting the overall compact form of the City. In this assessment they considered whether there were intensification opportunities that could match the yield of the proposal and found none.

Since then the 2023 HBCA has considered intensification capacity and has assumed that all landowners who own properties that are in the residential zone, are over 700 m<sup>2</sup>, have sufficient bare land for a 350 m<sup>2</sup> section, adequate access and relatively flat topography will seek to subdivide their land within the next three years. This is assessed to amount to 1196 dwellings. However, no survey work has been undertaken to substantiate that everyone in this position will action subdivision. Indeed, it is most likely that only a small proportion of those owning such properties will seek to take on subdivision of their property. Owners have chosen a larger property for a reason, while for some that reason may no longer be paramount there is no reason why the yield on infill lots should suddenly change.

Next, Insight considered whether there was potential to amalgamate sites for intensification to match the proposal and found this was not feasible.

The next alternative considered was whether capacity could be provided on land that is not HPL or land which is HPL but has a lower productive capacity than the subject site.

While nearly all land immediately adjacent to the existing urban area is classified as HPL, the assessment identified two potential areas. However, the first forms part of the Northeast Industrial Zone and is also within the airport noise contour, while the second lies within a flood protection area associated with the Manawatu River. Consequently, neither area was appropriate for residential development.

Similarly, Insight were unable to find any areas with lower productive capacity to fit the proposal. As a result, Insight found no other reasonably practicable and feasible ways to provide capacity in the City, let alone the same market and locality, while achieving a well-functioning urban environment.

The final task is to show that the overall benefits of the proposal outweigh costs, including all tangible and intangible effects. This is not limited to economic considerations, however, and includes social, cultural, and environmental effects. Insight assessed the likely *economic* costs and benefits of the proposal relative to potential rural production using the total economic value (TEV) framework, as recommended in the MFE implementation guidance.

The TEV of the proposal includes the GDP, jobs, and wages provided by the construction of new dwellings. These are highly significant and are estimated to boost national GDP by \$64 million, including flow on effects, generate employment for over 475 FTE-years, and generate \$31 million in household incomes. In addition, the proposal will generate other significant and enduring economic benefits that will not be realised via rural production, including:

- Providing a substantial, direct boost in market supply to help meet current and projected future shortfalls;
- Providing a variety of housing options/typologies to meet diverse needs and preferences; and
- Contributing to achieving critical mass to support greater local retail/service provision.

Insight compared this to the likely GDP, jobs, and wages of four types of rural production – grain, seeds, sheep/beef, and dairy farming. These direct estimates were then scaled up to reflect other tangible and intangible benefits from horticulture or. This was assessed over a 50-year period, which goes well beyond the minimum 30-year period set out in the NPS HPL Implementation Guide. The table below presents the final comparison in net present value terms at a discount rate of 8%.

Table 1: Comparison of Direct Use Values over 50 years (NPV @ 8%)

Productive Uses	GDP \$	FTE-Years	Wages \$
Grain	200,000	14	170,000
Seeds	390,000	28	340,000
Sheep & Beef	120,000	3	10,000
Dairy (\$9.30/kg ms)	610,000	9	110,000
Proposed Development	64,000,000	475	31,000,000

The table confirms that the proposal will generate much higher GDP, employment, and wages than any possible rural production scenario, even when the latter are considered over the longer period of 50 years. Further, with these direct use values representing 99.8% of TEV for seed and grain production, and 67% for sheep/beef and dairy, the inclusion of the other facets of TEV has no material impact on the comparison.

In social terms there is an urgent need to boost the supply of land for housing in Palmerston North and this proposal will contribute positively to that supply. Furthermore, the development can contribute to short and medium term supply which is where the need is greatest because there are no infrastructure constraints to proceeding with the development.

In environmental terms the principal issues have been addressed in other sections of this report. An appropriate urban design concept has applied through the structure plan, along with reserves and stormwater detention and appropriate interface controls with the existing residential area. The intersection with Napier Road has also been carefully considered with direct consultation with Waka Kotahi N.Z.T.A.

This demonstrates that the proposal meets all three limbs of the NPS HPL test from an economic, social and environmental perspective.