

**Draft National Policy Statement on Urban Development Capacity**

**Comments from David Mead, Hill Young Cooper Ltd, 14 July 2016**

The following are comments on the objectives and policies of the draft NPS. I have grouped the policies under the relevant objectives.

NPS Text	HYC Comment
<p>OA1:</p> <p>To support effective and efficient urban areas that enable people and communities to provide for their social, economic and cultural wellbeing.</p>	<p>As a general comment, the objectives would be better written as outcome statements, such as:</p> <p><i>"Effective and efficient urban areas enable people and communities to provide for their social, economic and cultural wellbeing".</i></p> <p>Having said that, objective OA1 essentially repeats Section 5 of the RMA and does not provide any additional direction in terms of the matters to be covered or the weight to be given to particular outcomes when preparing plans. The absence of the word 'environment' is noted and it is not clear as to why it is omitted.</p>
<p>OA2:</p> <p>To provide sufficient residential and business development capacity to enable urban areas to meet residential and business demand.</p>	<p>This could be said to be the core objective.</p> <p>When formulating a district plan under section 76, a district plan must give effect to an NPS. However, this objective and related policies could be said to be rather light weight and not hard to give effect to. The words "to meet residential and business demand" are not the same as the issues that have prompted the NPS, including rapidly rising house and land prices; the slow response from the development market to these signals; the desire to enable more competitive land markets and the flow on effects to social and economic wellbeing; but also the need for sustainable urban systems that are affordable to 'run' in the long term.</p>

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	<p>See below for a suggested combining of the three objectives.</p> <p>It is also not clear if the capacity to be provided, while needing to be 'sufficient' also has to be 'feasible'. The issue of feasibility is addressed below and is a critical issue to be clear about.</p>
<p>OA3:</p> <p>To enable ongoing development and change in urban areas.</p>	<p>It is questionable as to whether this objective is needed, given the above two objectives. If there is sufficient capacity, then on-going development is enabled, while change is an aspect of an efficient and effective urban form. However, the objective is the one place where the NPS appears to support redevelopment of existing urban areas, but only in an indirect way.</p> <p>The 3 objectives could be combined as follows to provide a better test by which policy actions could be considered:</p> <p><i>Sufficient residential and business development capacity enables urban areas to provide for people and communities social, environmental, economic and cultural wellbeing including allowing for on-going change and redevelopment within urban areas.</i></p>
<p>PA1: By decision-makers:</p> <p>a) Providing for an urban form that maximises the potential for social and economic exchange within the urban area.</p> <p>b) Providing for the efficient use of resources, having particular regard to scarce urban land and infrastructure.</p> <p>c) Enabling the competitive operation of land</p>	<p>As a general note, I have numbered the bullet points in each option for ease of reference.</p> <p>Clause (a) cannot be realistically measured in any objective sense and therefore is of doubtful use - exchange could be via face to face or by electronic means, for example. If anything, cities provide the opportunities for informal / unexpected exchange. The word 'maximises' imposes a high threshold, when any RMA process is likely to result in more of an optimal outcome that takes into account a wide range of factors.</p> <p>Clause (b) refers to scarce urban land and infrastructure, when much of the tenor of the NPS (and commentary on urban areas) is that land on the fringe of the urban area is not scarce, while infrastructure continually expands. However, some types of urban land is 'scarce', such as land close to CBDs, while in some cases in some parts of urban areas there may be underutilised infrastructure, or conversely</p>

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<p>and development markets.</p>	<p>infrastructure that is very expensive to expand/upgrade to cope with growth.</p> <p>The question as to what is the 'efficient use' of scarce land resources and under utilised or over utilised infrastructure needs to be clarified. Is it 'efficient' in RMA terms or economic terms? The term "effective use' (causing a result, especially the desired or intended result) may be better term in an RMA / planning sense. Effective use brings into play the wider range of RMA matters than typically associated with the words 'efficient', and judges outcome against an objective.</p> <p>The policy could say:</p> <p><i>Providing for the effective use of urban resources, having particular regard to the relative scarcity of different types of urban land and capacity (including under-utilisation and over utilisation) of supporting infrastructure.</i></p> <p>Clause (c) is a different issue to that of the first two clauses and deserves its own policy. The issue of what is a 'competitive land market' is a significant one and there is no common definition of what constitutes such a market. The definition provided in the Sec 32 report for the NPS is a truncated version.</p> <p>A policy that sets out the parameters of a competitive land market is needed. Typically such as a market displays the following characteristics:</p> <ul style="list-style-type: none"> <li>i. there are many buyers and sellers,</li> <li>ii. consumers have many substitutes if the good or service they wish to buy becomes too expensive or its quality begins to fall short.</li> <li>iii. new firms can easily enter the market, generating additional competition.</li> <li>iv. there is good information and buyers and sellers have equal access to this information</li> <li>v. there are no unprized externalities</li> <li>vi. transaction costs are low.</li> </ul>

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	<p>However there is a need to modify these criteria for land markets. For example one piece of land is not easily substituted for another due to locational and amenity factors. Good information is often not available, while there is a need to consider third parties such as infrastructure providers.</p> <p>For example the policy could be:</p> <p><i>To enable more efficient land and development markets by plans and policy statements:</i></p> <ul style="list-style-type: none"> <li><i>i. ensuring that development opportunities are not concentrated in certain areas or locations, reducing the number of potential sellers,</i></li> <li><i>ii. house buyers have a range of locational choices and choices over types of houses.</i></li> <li><i>iii. providing good information to buyers and sellers as to future intentions for an area</i></li> <li><i>iv. managing negative externalities</i></li> <li><i>v. being prepared with infrastructure providers and having their commitment to fund necessary infrastructure.</i></li> </ul>
<p>PA2: By local authorities providing at all times sufficient residential and business development capacity for the short, medium and long terms.</p>	<p>There are three issues with this policy:</p> <p>Firstly, is this policy directed at urban capacity? The link with Objective OA2 would suggest that it is directed at urban capacity, but this is not clear. For example is rural-residential development covered by this policy? Would expansion of a mixed holiday home/ residential area like Waiheke or Piha be covered by the policy? This is an issue that runs through the NPS - if it includes or excludes various forms of urban development such as small hamlets or villages, extensive urban forms like country side living; and 'holiday home' settlements. Do second (and third) homes count as demand?</p> <p>Secondly, it is not clear at what scale this policy should be applied. In some cases it may be inefficient in RMA / sustainable management terms to provide for all demands - constraints on development, both natural and physical, may be such that the costs of enabling that growth outweigh any benefits. In other</p>

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	<p>words, in some urban areas there are reasonable and justifiable limits. At an aggregate level (that is the whole of an urban area) there may be the ability to balance out 'unders and overs' in terms of demand and capacity, but at the sub area, it may not be appropriate</p> <p>Thirdly is the issue of time frames.</p> <p>It is noted that the term <b>sufficient</b> is defined to mean:</p> <p><i>the provision of enough development capacity to meet residential and business demand, plus, to take account of the likelihood that not all capacity will be developed, an additional margin of at least:</i></p> <ul style="list-style-type: none"> <li>• <i>20% over and above projected short and medium-term residential and business demand; and</i></li> <li>• <i>15% over and above projected long-term residential and business demand.</i></li> </ul> <p><i>The total capacity should reflect the demands for different types and locations.</i></p> <p>There is a question as to whether the policy should refer only to the medium to long term, not short term, due to the fluctuations experienced in the short term. In the short term, growth rates are unpredictable. For example is the current immigration boom, while equally valid is the exodus over the mid 2000s. Arguably urban capacity should be determined over the medium to long term, providing a sufficient reservoir to meet short term fluctuations, whether that be faster or slower growth. This is a different approach than having extra capacity because some development opportunities might not be taken up.</p> <p>Having said that, any short term capacity needs to be 'feasible'. Feasible is defined as:</p> <p><i>Commercial viability of development taking into account the current likely costs, revenue and yield of developing.</i></p> <p>The definition refers to 'current costs' and therefore can only be undertaken for the short term. The definition does not provide an objective test of what may be a reasonable viability assessment.</p>

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	<p>An alternative definition (as used in the UK) is as follows:</p> <p><i>An objective financial viability test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the landowner and a market risk adjusted return to the developer in delivering that project.'</i></p> <p>So in the short term, it is not sufficient capacity that is the issue; it is sufficient and feasible capacity to meet fluctuations in growth rates.</p> <p>Over the longer term, the issue is not so much about sufficient capacity as it is with competitive land markets which can help to deliver development more effectively and efficiently. This links back to need for a policy on competitive markets.</p> <p>Development capacity itself is defined to mean:</p> <p><i>in relation to residential and business land, the capacity of land for urban development to meet demand, taking into account the following factors:</i></p> <ul style="list-style-type: none"> <li><i>a) the zoning, objectives, policies, rules and overlays that apply to the land; and</i></li> <li><i>b) the provision of adequate infrastructure, existing or likely to exist, to support the development of the land, having regard to—</i> <ul style="list-style-type: none"> <li><i>i. the relevant proposed and operative regional policy statements, regional plans and district plans; and</i></li> <li><i>ii. any relevant management plans and strategies prepared under other Acts.</i></li> </ul> </li> </ul> <p>The key words relate to infrastructure that exists or is likely to exist.</p>

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	<p>In turn infrastructure is defined in a narrow sense of:</p> <p><b><i>Infrastructure</i></b> means network infrastructure for water supply, wastewater, stormwater, transport, and passenger transport services.</p> <p>There is no reference to open space or social infrastructure, for example, yet these are key components of sustainable urban environments that enable social and economic well being.</p> <p>The test in clause (b) of the development capacity definition as to whether infrastructure is existing or likely to exist is a critical test. Most infrastructure plans extend no more than 10 years into the future in terms of certainty over delivery of that infrastructure, and even then spending priorities can rapidly change year by year.</p> <p>Equally, many of the big ticket items are out of the council's hands. No council can with certainty say that a motorway or rail line extension needed to serve a growth area will likely exist in 30 years time. The Ministry of Education cannot say if a school is likely to exist.</p> <p>One possible option could be rewording the policy as follows:</p> <p><i>By local authorities providing:</i></p> <ul style="list-style-type: none"> <li>• <i>sufficient, feasible residential and business development capacity to accommodate short term fluctuations in expected medium term growth rates</i></li> <li>• <i>sufficient residential and business development capacity in a way that supports competitive land and development markets, over the medium term</i></li> <li>• <i>long term planning of urban growth and redevelopment which provides choices and flexibility over medium term responses.</i></li> </ul>

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<p>PA3: When considering the effects of urban development, decision-makers must:</p> <p>a) Recognise and provide for the contribution that urban development will make to the ability for people and communities and future generations to provide for their social, economic and cultural wellbeing.</p> <p>b) Provide sufficient development capacity, whilst maximising the positive effects of development, and minimising the adverse effects of development.</p> <p>c) Have particular regard to the positive effects of urban development at a national, regional and district scale, as well as its local effects.</p>	<p>The policy needs to articulate at what point in the development process (plan preparation, structure plan, resource consent etc) the listed 'effects' are to be recognised and provided for. For example, are these matters that further extend the issues that need to be addressed when considering a resource consent under section 104 of the RMA, or are they matters to take into account in preparing a plan (such as under Section 74)?</p> <p>If the former, the policy essentially introduces a new set of tests for urban developments (which is such a wide ranging term it covers all activities in urban areas) that require resource consents. For example, does the reference to minimise adverse effects replace the section 5's reference to avoid, remedy or mitigate adverse effects, or be in addition to those terms?</p> <p>The policies hint at a number of areas of misalignment in RMA decision making that results in sub optimal outcomes, for example:</p> <ul style="list-style-type: none"> <li>• Clause (a) refers to future generations which implies a focus on short term outcomes over longer term</li> <li>• Clause (b) implies a focus on negative effects and retaining the status quo, rather than positive effects</li> <li>• Clause (c) suggests a misalignment between national and local outcomes,</li> </ul> <p>but the policy provides no mechanism by which these misalignments may be identified and addressed in an RMA setting, beyond stating that they exist.</p> <p>Generally there is misalignment over these issues because of:</p> <ul style="list-style-type: none"> <li>• Human behavioural instincts that focus on short term, immediate/local negative consequences;</li> <li>• Costs and benefits falling on different groups (while there may be a national benefit of an urban area growing, there may be a local cost); and</li> </ul>



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	<ul style="list-style-type: none"> <li>• Difficulties of addressing cumulative effects (for example many small moves to reduce density/capacity).</li> </ul> <p>The policy could help address the first situation (if reworded), but provides no mechanism to address the second and third issues.</p> <p>The policy could be written as follows:</p> <p><i>In developing plans for urban areas under section 74 (and associated assessments under section 32); and in relation to making decisions on resource consents for urban development under section 104, decision makers should pay particular regard to:</i></p> <ul style="list-style-type: none"> <li>• <i>The needs of future generations to access housing and employment</i></li> <li>• <i>The wider, positive benefits to communities that flow from urban change and redevelopment</i></li> <li>• <i>The cumulative effects across an urban area from limitations on development opportunities to maintain existing amenity values.</i></li> </ul>
<p>OB1:</p> <p>To ensure plans and regional policy statements are based on a robust, accurate and frequently-updated evidence base.</p>	<p>It is not clear how this objective and associated policies sit alongside Section 32 requirements. It would be helpful to link the two sets of provisions together to avoid repetitive or divergent analysis of the same issue.</p> <p>If the objective is to be retained, it should be confined to evidence on residential and business demand. At the moment it is all encompassing.</p>
<p>PB1: Local authorities must, by the end of 2018, or within 12 months of becoming</p>	<p>These requirements may better fit under the Local Government Act or similar.</p> <p>The assessment of housing needs/ demands influences much more than zoning capacity, with the obvious</p>

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<p>a Medium or High Growth Urban Area, and thereafter on at least a three-yearly basis, carry out:</p> <p>a) A Housing Assessment that estimates the demand for dwellings, including the demand of different groups in the population for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand, in the short, medium and long-terms; and</p> <p>b) A Business Land Assessment that estimates the demand for the different types and locations of floor area for the local business sectors, and the supply of development capacity to meet that demand, in the short, medium and long-terms.</p> <p>Local authorities must have regard to the benefits of publishing the assessments under policy PB1.</p>	<p>and critical link being with infrastructure funding and construction (issues recognised by Policies PC 1 to PC 4).</p> <p>For example, in the case of Auckland, the policy mirrors and repeats in part, Part 6 (Spatial Plan) of the Local Government (Auckland Council) Amendment Act 2010.</p> <p>Sections 79 and 80 of that Act spells out a much more effective framework for the type of assessment and planning sought by the policies of the NPS, and those sections could be amended so that:</p> <ul style="list-style-type: none"> <li>• They apply to other medium and high growth urban areas</li> <li>• Refer to demand and supply for housing and businesses</li> <li>• The price / market signals set out in Policy PB5.</li> </ul>
<p>PB2: In carrying out the assessments required under policy PB1, local authorities must have particular regard</p>	<p>The factors affecting housing and business floor space demand are many and varied. The policy should not be exhaustive and should not refer to having particular regard to specified matters, as the matters listed are quite confined.</p>

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<p>to:</p> <p>a) Demographic change, including population growth and household size projections, using the most recent Statistics New Zealand growth projections set out in Appendix A2.</p> <p>b) Future changes in the sectoral composition of the local economy and the impacts that this might have on residential and business demand.</p> <p>c) Information on the market's response to planning obtained through monitoring under PB5.</p>	<p>For example:</p> <ul style="list-style-type: none"> <li>• incomes and income growth are key determinants of housing demand (particularly type and location).</li> <li>• transport costs play a big role in shaping consumer choices, in terms of location and type</li> <li>• cultural preferences also are relevant</li> <li>• tenure preferences can shape patterns, and over time it is likely that new forms of tenure will emerge</li> <li>• quality / age of the stock is relevant in terms of household running costs</li> <li>• credit growth, interest rates and bank lending practices are also highly relevant.</li> </ul> <p>Section 8 of the now repealed Affordable Housing: Enabling Territorial Authorities Act 2008 provided for councils to assess housing need. While directed at affordable housing, that section started to create a platform of what a housing needs assessment should cover, while providing some scope for local variations. Section 8 of the AHETA Act referred to:</p> <p><i>Method of assessment:</i></p> <p><i>(1)A territorial authority that decides to assess the need for affordable housing in its district must choose the method by which it does the assessment.</i></p> <p><i>(2)The authority must choose a method that gives results for the authority's district that include—</i></p> <p><i>(a)a description of the current balance between supply and demand in the housing market generally and, if relevant, in different sectors:</i></p> <p><i>(b)the identification of land available for housing development:</i></p> <p><i>(c)an estimate of the number of households that currently need affordable housing and the number that are likely to need it in the reasonably foreseeable future.</i></p> <p>That type of policy provided more scope for how a housing needs assessment could be undertaken.</p>
<p>PB3: In carrying out the assessments required under policy PB1, local</p>	<p>This policy appears to link into Section 32 requirements, but the link is not explicit. It would be beneficial</p>

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<p>authorities must estimate the sufficiency of development capacity provided by its plans and proposed and operative regional policy statements, having particular regard to:</p> <ul style="list-style-type: none"> <li>a) The cumulative effect of all zoning, objectives, policies, rules and overlays in plans, and the effect this will have on opportunities for development being taken up.</li> <li>b) The actual and likely availability of infrastructure.</li> <li>c) The current physical and commercial feasibility of development capacity.</li> <li>d) The likelihood of opportunities for development being taken up.</li> </ul> <p>and must estimate the additional development capacity needed if any of these factors indicate that the supply of development capacity is not likely to meet demand in the short, medium or long-term.</p>	<p>to create a link, for example by the policy referring to when councils make assessments under Section 32 (2) that additional matters need to be taken into account. This would avoid separate assessments and help to generate a more integrated picture. It would also help to fill gap in typical section 32 assessments which tend not to take a whole of plan approach to all constraints and opportunities, for example:</p> <p><i>An assessment under subsection (1)(b)(ii) must—</i></p> <ul style="list-style-type: none"> <li><i>(a) identify and assess the benefits and costs of the environmental, economic, social, and cultural effects that are anticipated from the implementation of the provisions, including the opportunities for—</i></li> <li><i>(i) economic growth that are anticipated to be provided or reduced; and</i></li> <li><i>(ii) employment that are anticipated to be provided or reduced; and</i></li> <li><i>(b) if practicable, quantify the benefits and costs referred to in paragraph (a); and</i></li> <li><i>(c) assess the risk of acting or not acting if there is uncertain or insufficient information about the subject matter of the provisions.</i></li> <li><i><u>(d) when considering urban growth and urban capacity, the cumulative effect of all zoning, objectives, policies, rules and overlays in plans, and the effect this will have on opportunities for urban development being taken up.</u></i></li> </ul> <p>The issue of what is feasible development capacity (clause c) is very contentious.</p> <p>Firstly, many respected agencies such as the Royal Institute of Chartered Surveyors state that area-wide feasibility testing over a medium to long term time frame is not reliable or possible at present (see for example: RICS April 2015, Financial Viability Appraisal in Planning Decisions: Theory and Practice).</p> <p>Secondly how feasibility is defined and assessed at a site-by-site level is critical to estimates of capacity. Narrowly defined, then it is possible that only a small percentage of development capacity may be 'feasible'. As a consequence, capacity may need to be a factor of 10 times the demand, for example.</p> <p>While that level of capacity may enable development opportunities it comes with a major contingent liability for communities in terms of the infrastructure that may or may not be needed to accommodate that growth, should the majority of that capacity be taken up in a particular area.</p>

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<p>PB4: In carrying out the assessments required under policy PB1, local authorities must consult with infrastructure providers, community and social housing providers, the property development sector and any other stakeholders as they see fit.</p>	<p>The policy could be reworded to better fit with the collaborative type processes proposed under the RLAB 2015.</p> <p>For example local authorities should establish 'collaborative working groups' with infrastructure providers etc that could meet the terms of Part 4 of Schedule 1 of the RMA Amendment Bill, 2015.</p>
<p>PB5: To ensure that local authorities are well-informed about the market's response to planning, local authorities must monitor a range of indicators on a quarterly basis, or as frequently as possible, including:</p> <p>a. The relative affordability of housing, including the ratio of house price to income and the relative cost to rent;</p> <p>b. The increase in house prices and rents;</p> <p>c. The number of resource and building consents granted relative to the growth in population;</p> <p>d. Vacancy rates for business land;</p>	<p>This list does not cover all aspects of housing and business demand. Other indicators may be:</p> <ul style="list-style-type: none"> <li>• Changes in tenure</li> <li>• Overcrowding</li> <li>• Quality of housing being built</li> <li>• Location of housing.</li> </ul> <p>Some indicators may only realistically be monitored over a two or three year period, such as land valuations and vacancy rates.</p> <p>Volatility in some indicators requires care to be taken: in many cases it is only rolling average comparisons over a number of years that are helpful to identify persistent changes and trends.</p> <p>Cause and effect relationships are very complex in the housing market, and as stated, the policy appears to assume a direct relationship between planning capacity and house prices. In this regard, the use of the words "market's response to planning" should be amended.</p> <p>Market prices are affected by a number of economic factors, with supply of development opportunities being only one of these. Prices are also driven by speculation. As noted by many people (such as Tony Alexander of the BNZ) there can be many blockages in the housing pipeline which may affect prices, including:</p>

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<p>e. The ratio of the value of land between rural and urban zoned land; and</p> <p>f. The ratio of the value of improvements to the value of land within the urban area.</p> <p>Local authorities must have regard to the benefits of publishing the results of its monitoring under policy PB5.</p>	<ul style="list-style-type: none"> <li>• Staff availability</li> <li>• Staff quality</li> <li>• Materials quality</li> <li>• Materials costs</li> <li>• Staff costs</li> <li>• Land availability</li> <li>• Land willingly offered for development</li> <li>• Infrastructure funding</li> <li>• Infrastructure installation</li> <li>• Consenting processes</li> <li>• Kiwi preference for expensive bespoke houses, not “cookie cutter” houses which we look at down our noses.</li> </ul> <p>Added to this list can be uncertainty that can be created by fluctuating growth rates.</p> <p>Plan makers should not attempt to estimate the precise impact of an increase in housing supply on house prices, or vice versa. However market signals are a relevant input into plan making, just are other sources of information, such as those gathered through s 35 monitoring.</p>
<p>OC1: To promote coordination within and between local authorities and infrastructure providers in urban areas, consistent planning decisions, integrated land use and infrastructure planning, and responsive planning processes.</p>	<p>This Objective and associated policies could be combined with the OB set.</p>

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<p>PC1: When developing plans and regional policy statements to implement this National Policy Statement, local authorities must consult with other local authorities, local infrastructure providers and central government infrastructure providers that share jurisdiction over a Medium Growth Urban Area or a High Growth Urban Area.</p>	<p>As per comment in relation to PB4, this policy could be more directive in the use of collaborative planning processes that would enable faster plan change processes to be followed</p>
<p>PC2: The relevant local authorities and infrastructure providers will work together to agree on data and projections used in the development of the assessments required under policy PB1.</p>	<p>The policy would better sit under the LGA and be inserted into other relevant legislation, such as the Land Transport Act; otherwise there is the likelihood of other agencies not being bound by the same data.</p>
<p>PC3: The relevant local authorities and infrastructure providers will work together to, as far as possible, ensure coordinated land use planning and infrastructure provision, including expected levels of service for infrastructure.</p>	<p>The major issue with infrastructure is affordability, while co-ordination across multiple infrastructure providers is always complex and prone to high transaction costs.</p> <p>It is unclear if this policy requires infrastructure to respond to growth capacity planning, or be an input into that growth capacity planning. Again this policy (and policies PC1 and PC2) would better sit under a general spatial planning type policy where infrastructure can be considered in an integrated way in terms of being both:</p>

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	<ul style="list-style-type: none"> <li>• An enabler / leader of growth</li> <li>• A limitation on the rate of growth in some areas</li> <li>• A constraint on growth.</li> </ul> <p>Ultimately, there has to be a trade off between capacity and infrastructure. On the one hand, market mechanisms demand sufficient feasible capacity in way that does not create uncompetitive markets (many sellers and buyers). The capacity required is therefore considerably in excess of demand, across the urban area. From an infrastructure point of view, the ability to fund, extend and upgrade infrastructure is constrained by affordability. As such only part of the capacity provided can only ever realistically be catered for. Furthermore, infrastructure cannot be extended or upgraded in small incremental steps; rather step changes in capacity are usually needed. Over provision of infrastructure is costly and inefficient.</p> <p>This is a significant issue. The section 32 report for the NPS acknowledges this risk, but does not address the size or consequence of this risk, in terms of affordability of infrastructure, or in turn, constraints on feasible capacity. The section 32 report refers to the costs of building infrastructure early, but not the costs of over providing infrastructure and the costs involved in having enough redundancy in sub areas to cope with rapid shifts in demand. The section 32 report (page 53) suggests that risks of infrastructure funding can be addressed by the NPS not being directive as to location (just bulk housing and business 'capacity') allowing plans to direct that capacity to areas where infrastructure exists. However that statement is at odds with the general thrust of the policy which refers to feasible and sufficient capacity to meet demands, competitive markets and the like.</p>
<p>OD1: To ensure that planning decisions enable urban development in the short, medium and long-terms.</p>	<p>This objective does not add any direction to the NPS and repeats OA2</p>
<p>OD2: To ensure that in the short and medium</p>	<p>The critical planning timeframe is the medium timeframe, as this matches the expected timeframe for</p>



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<p>terms local authorities adapt and respond to market activity.</p>	<p>RMA plans and is generally the foreseeable future in terms of housing costs.</p> <p>Short term "ups and downs" are hard to accommodate through plan changes. However mid term capacity planning should provide capacity to cope with short term ups and downs.</p>
<p>PD1: When the evidence base or monitoring obtained in accordance with policies PB1 to PB5 indicates that development capacity is not sufficient in any of the short, medium or long terms, local authorities must respond by providing further development capacity in accordance with policies PD2 and PD3 as soon as possible.</p>	<p>There is a need for an analysis step in between this policy and Policies PB1 to 5. Policies PB 1 to 5 may indicate a problem with supply, but it is far from clear if the issue with supply is a capacity / land supply issue or the result of the other factors that affect the construction of dwellings. Housing markets do not respond quickly to sudden changes in population growth rates for example. It may be an infrastructure constraint.</p> <p>One interpretation of this policy could be that where house prices outstrip incomes, then more land supply is needed, no matter what. This is a very simplistic interpretation.</p> <p>Furthermore, this policy (and Policy PD2) only looks at the supply side of the development equation, with the emphasis on reducing perceived barriers to more supply.</p> <p>This is a very narrow view of the actions that could be taken where demand and supply are not in balance.</p> <p>It may be that supply needs to be stimulated in some way, rather than barriers removed. It maybe that through structure planning, co-ordination with infrastructure and certainty over future zoning and development intentions, supply can be stimulated in areas where there is capacity.</p>
<p>PD2: A local authority must consider all options available to it under the Act to enable sufficient development capacity to meet residential and business demand, including but not limited to:</p> <p>a) Changes to plans and regional</p>	<p>The policy should be aimed at the medium term, not the short term or long term. None of the actions are feasible in the short term (as acknowledged by PD3) as they all require plan changes, unless some form of instrument is introduced such that when a certain trigger point or threshold is reached, then normal consenting processes can be set aside (similar to the HASHAA legislation).</p> <p>It would be very desirable if the policy could be more explicit as to the types of changes to objectives,</p>

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<p>policy statements, including changes to:</p> <ul style="list-style-type: none"> <li>o Objectives, policies and rules, zoning and the application of those in both existing urban and undeveloped areas;</li> <li>o Activity status;</li> <li>o Provisions about the notification of applications for resource consent;</li> <li>o Existing overlays, or the introduction of overlays which enable development; and</li> <li>o Make them simpler to interpret.</li> </ul> <p>b) Consenting processes that are customer-focused and coordinated within the local authority; and</p> <p>c) In granting consent, the conditions of consent imposed.</p>	<p>policies, rules and zones that should be contemplated in high growth areas.</p> <p>This particularly relates to urban intensification and redevelopment, given that this is the area where the issues outlined in policies PA 1 to 3 are most prevalent.</p> <p>A more positive 'push' towards urban redevelopment is needed. for example:</p> <p><i>A local authority must consider all options available to it under the Act to enable sufficient development capacity to meet residential and business demand, including but not limited to:</i></p> <p><i>Objectives, policies and rules, zoning that enable well designed urban redevelopment and intensification that makes effective use of existing urban land and infrastructure</i></p>
<p>PD3: Local authorities must consider the following responses:</p>	

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<p>a. In the short term, further enable development through customer-focused consenting processes and, where appropriate, amending the relevant plans.</p> <p>b. In the medium term, amending the relevant plans and policy statements to provide more development capacity.</p> <p>c. In the long term, providing a broad indication of the location, timing and sequencing of development capacity in order to demonstrate that it will be sufficient.</p>	
<p>PD4: In giving effect to policy PD1 with respect to residential development capacity local authorities should have particular regard to enabling capacity:</p> <p>a. In the locations that the Housing Assessment, required under policy PB1, indicates are of highest demand; and</p> <p>b. That is feasible.</p>	<p>Where housing is needed; where it is feasible to build; where there is infrastructure; and where it is appropriate to build and redevelop in sustainable management terms may be four different areas. Plans should seek congruence between these factors and put in place strategies and actions to bring forward alignment where there is not congruence.</p> <p>For long term planning, good spatial planning should aim to create a framework for private investment and therefore encourage appropriate development in the right locations. If viability is not appropriately considered in setting planning policy objectives and strategies then development can become unnecessarily constrained and policy targets may become undeliverable. However, long term feasibility analysis is more likely to be based on urban fundamentals rather than site level development costs and returns. In other words in the long term feasibility is likely to be based on:</p> <ul style="list-style-type: none"> <li>• Transport costs and accessibility</li> </ul>

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<p>such that it maximises the contribution to meeting demand for residential development.</p> <p>Local authorities that have a Medium Growth or High Growth Urban Area within their jurisdiction should not restrict their responses to meeting demand to only the area that lies within the Medium Growth Urban Area or High Growth Urban Area.</p>	<ul style="list-style-type: none"> <li>• Proximity to amenities</li> <li>• Demographics</li> <li>• Network infrastructure.</li> </ul> <p>The question of feasibility needs to be teased out in relation to short and long term time periods. As noted above in relation to Policy PA2, the proposed definition of 'feasible' is insufficient to deal with its critical role, especially in determining short term capacity.</p> <p>Poorly defined, the term 'feasible' could easily lead to under or over provision of development capacity. Over provisions risks sub optimal outcomes in terms of sustainable management (excessive adverse effects on the environment) and over provision of infrastructure with consequent issues for public finances. Equally under provision can drive sub optimal outcomes in terms of adverse social and economic wellbeing from high house prices.</p> <p>This is an area that needs major work if the concept of feasibility is to be introduced into RMA processes.</p> <p>The UK definition set out in PA2, lists four key components:</p> <ol style="list-style-type: none"> <li>1. <i>An objective financial viability test:</i> Feasibility testing needs to be based on agreed parameters and results able to be tested and replicated by others</li> <li>2. <i>The ability of a development project to meet its costs including the cost of planning obligations:</i> The reference to planning obligations is a UK term, but recognises the need for development to mitigate adverse effects, but also contribute to local amenities and services</li> <li>3. <i>Ensuring an appropriate site value for the landowner:</i> This recognises that land owners need a reason to sell to a developer. A value above current site value is needed, but how much above is a key assumption</li> <li>4. <i>A market risk adjusted return to the developer in delivering that project.</i> This recognises that the developer needs a return, with that return dependent upon the risks taken on. What can only ever be</li> </ol>

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	assumed is an industry standard type risk adjusted return.
<p>Policies PD5 to PD9 apply to all local authorities that have part, or all, of a High Growth Urban Area within their jurisdiction.</p> <p>Regional councils must have amended their proposed and operative regional policy statement to give effect to policies PD5 to PD6 by:</p> <ul style="list-style-type: none"> <li>• The end of 2018; or</li> <li>• Earlier if the Housing Assessment required under policy PB1 shows development capacity is insufficient to meet demand; or</li> <li>• Within 12 months of becoming a High Growth Urban Area.</li> </ul> <p>Regional councils must amend their proposed and operative regional policy statements to give effect to policies PD5 to PD6 in accordance with section 55(2A) of the Act without using the process in Schedule 1 of the Act.</p>	
<p>PD5: Regional councils must set minimum targets for the supply of sufficient residential development capacity that must be achieved, in accordance with its Housing Assessment, and incorporate these into the relevant regional policy statement.</p> <p>These minimum targets must specify:</p> <ol style="list-style-type: none"> <li>a. The total number of dwellings; and</li> </ol>	<p>It should be clarified that the targets referred to by PD 5 should be capacity targets, not dwelling or floorspace targets.</p> <p>If sufficient capacity is provided, then there is no need for the policy to refer to the 15%/20% buffer, as this is implicit in the definition of 'sufficient'.</p> <p>It would not be possible to be definitive as to the types of dwellings to be provided for. Locational aspects are likely to be more important than types of dwellings. That is, the targets should be broken down into sub regional areas to give the targets some directive intent.</p>

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<p>b. Different types of dwellings.</p> <p>To take account of the likelihood that not all capacity will be developed, it must require an additional margin of at least:</p> <p>a. 20% over and above projected short and medium-term demand; and</p> <p>b. 15% over and above projected long-term demand.</p>	
<p>PD6: A regional council's minimum targets set under policy PD5 must be set for the medium and long terms, and must be reviewed every three years. When a regional council's Housing Assessment required under policy PB1 shows that the minimum targets set in the regional policy statement are insufficient to meet demand, regional councils must revise those minimum targets in accordance with policy PD5 and incorporate those targets into its regional policy statement in accordance with section 55(2A) of the Act without</p>	<p>The ability to update capacity targets in an RPS without the need for an RMA Schedule 1 change is appropriate.</p> <p>However it is appropriate that council's have to respond to changes to the regional policy statement 'targets' via normal plan change processes (i.e. schedule one). This is so local communities can have some say in how capacity can be provided, but within the framework of the target set by the RPS.</p>

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<p>using the process in Schedule 1 of the Act.</p> <p>Local authorities shall give effect to policies PD7 to PD9 within the following timeframes:</p> <ul style="list-style-type: none"> <li>a. By the end of 2018; or</li> <li>b. Within 12 months of becoming a High Growth Urban Area.</li> </ul>	
<p>PD7: Local authorities must provide a future land release and intensification strategy alongside the relevant plans and regional policy statements to demonstrate that there will be sufficient development capacity in the medium and long terms, and that minimum targets will be met.</p>	<p>It is not clear if the land release and intensification strategy is a document prepared under the RMA or the LGA and if it is to be a strategy that is prepared by the regional council or local councils.</p> <p>This strategy should be prepared under the LGA by local councils as part of the a spatial planning requirement. Once adopted, the strategy should inform the timing of changes to relevant plans and policy statements. That is, it should set out the timetable, programme for plan changes in infrastructure investment needed to accommodate growth.</p>
<p>PD8: The future land release and intensification strategy must:</p> <ul style="list-style-type: none"> <li>a. Identify the location, timing and sequencing of future development</li> </ul>	<p>The reference to 'flexible implementation' is unclear, given that implementation is dependent upon RMA processes being followed.</p>

NPS Text	HYC Comment
<p>capacity over the long term; and</p> <p>b. Provide a process for flexible implementation.</p>	
<p>PD9: In developing this strategy, local authorities must:</p> <p>a. Be informed by the Housing Assessment and Business Land Assessment required under policy PB1;</p> <p>b. Take into account the views of infrastructure providers, land owners, the property development sector and any other stakeholders as they see fit; and</p> <p>c. Have particular regard to policy PA1.</p>	