

27 August 2024

HUD2024-004947

Andrew Riddell
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Tēnā koe Andrew

Thank you for your email of 5 July 2024 to the Minister of Housing, Hon Chris Bishop, requesting the following information under the Official Information Act 1982 (the Act):

Newsroom reports that you have set up a housing expert advisory group.

(a) Please advise when the group was set up, its membership, terms of reference, and dates on which it has met.

(b) What specific matters have you asked this group for their advice on? Please provide copies of those requests.

(c) What advice, briefings, reports and other communications have you received from this housing expert advisory group? Please provide copies of that advice, briefings, reports and other communications.

On 16 July 2024, your request was transferred to Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD), under section 14 of the Act, as the information requested is more closely connected with the functions of HUD.

The Housing Expert Advisory Group (HEAG) was set up by HUD in April 2024. The HEAG reports to HUD and was set up to provide expertise to inform HUD's advice to the Minister of Housing on components of the Going for Housing Growth work programme as needed.

The current members of the HEAG were appointed for an initial term of one year and are:

- Kevin Counsell
- Eric Crampton
- Stuart Donovan
- Marko Garlick
- Malcolm McCracken
- Stuart Shepherd.

HUD has convened three workshops since setting up the HEAG. The following table provides information on these workshops, including the specific matters discussed with the group.

Workshop	Topics discussed	Dates convened	Location
Workshop 1	Going for Housing Growth strategic overview	23 April 2024	In-person/online
Workshop 2	Housing growth targets, development capacity requirements, use of price indicators, and enabling more responsive capacity release	2 May 2024	In-person/online
Workshop 3	National Policy Statement for Urban Development (NPS-UD) intensification direction, Medium Density Residential Standards (MDRS)-optionality, and mixed-use development	9 May 2024	Online

After the workshops, the HEAG has received and provided written material on the following topics:

- Removal of minimum floor area and balcony requirements (informed Cabinet paper advice)
- Financial Incentives ('Build for Growth').

In addition to the information above, 28 documents have been found to be within scope of your request and 22 are being released to you. Some information has been withheld under the following sections of the Act:

Section of Act	Reason to withhold
9(2)(a)	To protect the privacy of natural persons
9(2)(f)(iv)	To maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.
18(d)	That the information requested is or will soon be publicly available.

The documents are detailed in the attached document schedule.

In terms of section 9(1) of the Act, I am satisfied that, in the circumstances, the decision to withhold information under section 9 of the Act is not outweighed by other considerations that render it desirable to make the information available in the public interest.

You have the right to seek an investigation and review of my response by the Ombudsman, in accordance with section 28(3) of the Act. The relevant details can be found on the Ombudsman's website at: www.ombudsman.parliament.nz.

As part of our ongoing commitment to openness and transparency, the Ministry proactively releases information and documents that may be of interest to the public. As such, this response, with your personal details removed, may be published on our website.

Nāku noa, nā



David Hermans

Chief Advisor, Policy

Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development

Annex 1: Document schedule

Documents released – HUD2024-004947			
	Date	Document	Section of the Act applied
1	Quarter 1 2024	Terms of Reference Housing Expert Advisory Group	Some information withheld under s9(2)(a)
2	19 April 2024	Housing Expert Advisory Group: Workshop 1	Released in full
3	19 April 2024	NPS-UD amendments	Released in full
4	23 April 2024	Housing Expert Advisory Group Workshop #1 Summary	Released in full
5	26 April 2024	Workshop #2: Development capacity requirements, urban limits and infrastructure alignment	Released in full
6	26 April 2024	Email from David Hermans to HEAG and other workshop attendees: RE: Material for Second HEAG Workshop - 2 May 2024	Some information withheld under s9(2)(a)
7	April 2024	Email attachment: Memo: Overview of development capacity under the status-quo	Released in full
8	April 2024	Email attachment: Land efficiency indicators: Review, proposed improvements, and discussion on their use for policy	Refused in full under s18(d)
9	April 2024	Email attachment: Memo: Development capacity requirements and price Indicators	Released in full
10	14 March 2024	Email attachment: Going for Housing Growth: Infrastructure funding settings - initial advice	Some information withheld under s9(2)(a), s9(2)(f)(iv)
11	April 2024	Email attachment: Housing Growth Targets: Overview of current policy thinking	Some information withheld under s9(2)(f)(iv)
12	April 2024	Email attachment: Workshop #2: Development capacity requirements, urban limits and infrastructure alignment	Refer doc #5
13	2 May 2024	Housing Expert Advisory Group Workshop #2 Summary	Released in full
14	May 2024	Workshop 2 – Preliminary feedback from the Housing Expert Advisory Group (“HEAG”) for the purposes of discussion	Some information withheld under s9(2)(f)(iv)
15	6 May 2024	Workshop #3: Intensification Requirements	Released in full

Documents released – HUD2024-004947			
	Date	Document	Section of the Act applied
16	May 2024	Memo: Mixed-use and NPS-UD Intensification Requirements	Some information withheld under s9(2)(f)(iv)
17	May 2024	Memo: Alternative Minimum Density Standards	Released in full
18	8 May 2024	Email from Stuart Donovan on behalf of HEAG to David Hermans: Third HEAG Workshop - 9 May 2024	Some information withheld under s9(2)(a)
19	8 May 2024	Email attachment: Workshop 3 – Preliminary feedback from the Housing Expert Advisory Group (“HEAG”) for the purposes of discussion	Released in full
20	9 May 2024	Housing Expert Advisory Group Workshop #3 Summary	Released in full
21	18 May 2024	Improving incentives and build for growth policy: Initial advice	Withheld in full under s9(2)(f)(iv)
22	31 May 2024	Email from David Hermans to HEAG: Update and some questions	Some information withheld under s9(2)(a)
23	4 June 2024	MHUD questions to HEAG	Released in full
24	4 June 2024	Email from Stuart Donovan to David Hermans: RE: Update and some questions	Some information withheld under s9(2)(a)
25	13 June 2024	Going for Housing Growth: Improving incentives and build for growth policy - initial advice	Withheld in full under s9(2)(f)(iv)
26	26 June 2024	Email from David Hermans to HEAG: FW: GfHG - Financial Incentives	Withheld in full under s9(2)(f)(iv)
27	5 July 2024	Email from Stuart Donovan on behalf of HEAG to David Hermans: RE: GfHG - Financial Incentives	Withheld in full under s9(2)(f)(iv)
28	5 July 2024	Email attachment: HEAG feedback – Financial incentives for councils	Withheld in full under s9(2)(f)(iv)

TERMS OF REFERENCE

HOUSING EXPERT ADVISORY GROUP

These Terms of Reference set out the operation of the Housing Expert Advisory Group (“the HEAG”), which reports to HUD. **THE DOCUMENT COVERS THE PURPOSE, OBJECTIVES, COMPOSITION, ROLE, MEETING ARRANGEMENTS, CONFIDENTIALITY REQUIREMENTS, RESPONSIBILITIES, TERM AND REMUNERATION OF THE EAG.**

CONTEXT

The GfHG programme is set out in the Minister of Housing’s Cabinet paper ‘Fixing the Housing Crisis’ and is structured around 3 elements:

- Freeing up land for development and removing unnecessary planning barriers
- Improving infrastructure funding and financing
- Providing incentives for communities and councils to support growth.

PURPOSE OF THE HOUSING EXPERT ADVISORY GROUP

The purpose of the HEAG is to support policy design of the Going for Housing Growth (GfHG) work programme, in particular options for the housing growth targets policy (including the Medium Density Residential Standards (MDRS) optionality) and National Policy Statement on Urban Development. The HEAG will provide views, expertise and advice on these matters, including advice on the impact of policy changes and any gaps or alternative interventions, and practical implementation considerations. This may include working with, informing and reviewing policy packages prepared by officials.

The HEAG provides an opportunity for HUD and other agency officials working on GfHG to confidentially share and test policy thinking and issues relevant to GfHG. This will help improve the quality of the advice provided to the Minister of Housing and effectiveness of the decisions made.

Once this work has been completed, the HEAG may be asked by HUD to meet and advise on other matters related to GfHG as required.

MEMBERSHIP AND TERM

The HEAG consists of members with a range of skillsets, practical expertise, and experience in urban economics, development, and infrastructure.

The HEAG is expected to commence in April 2024. Once the work on Housing Growth Targets and National Direction has been completed, HUD may want to use the group to test other policy work related to GfHG and reserves the right to amend membership of the HEAG as needed and based on expertise required.

After one year, HUD will review the function and membership of the HEAG. Members who wish to leave the group before then should advise, in writing, David Hermans, as the first point of contact for the group.

HUD may also bring in any person(s) whose qualifications or experience are likely to be of assistance to the HEAG and officials in dealing with that matter being discussed.

MEETINGS AND SECRETARIAT

HUD will be responsible for the day-to-day engagement with and support for the HEAG, using the group as needed (i.e. including outside of a regular meeting cadence if required) to help develop and test high-level policy choices and direction.

From time to time the HEAG will meet with the Minister for Housing to discuss particular topics of relevant to their advice.

An agenda and pre-reading (where useful for discussions) will be circulated to members prior to each meeting.

Meetings of the HEAG will be attended by officials from HUD, Treasury, The Infrastructure Commission, and the Ministry for the Environment. Other agency officials may be invited to attend where relevant to the discussion.

CONFIDENTIALITY

Members are required to sign an agreement to not disclose or make use of information that would otherwise not be available to them, except in agreed circumstances.

RESPONSIBILITIES

Conflicts of interest

Members are required to inform HUD where they have a substantial interest in the issues being considered by the Panel. This includes actual, potential, or perceived conflicts of interest.

Members are to be aware of potential direct or indirect conflicts of interest as they arise and declare any such conflicts to HUD immediately upon becoming aware of any such conflicts or potential conflicts.

Expectations

Members are expected to:

- attend all scheduled meetings. When members cannot attend, they will not be entitled to send substitutes.
- undertake pre-meeting reading, if provided
- engage fully with the material and provide constructive feedback at each meeting.

The HEAG will not be responsible for decision-making or commissioning work from agencies.

The HEAG cannot direct any Government department or agency, employ staff, enter into contracts, or make commitments or undertakings on behalf of any Minister or Chief Executive.

Advice from the HEAG is subject to the provisions of the Official Information Act 1982.

REMUNERATION

Members are paid a pro-rata daily rate based on an 8-hour day. The following fees have been agreed for the EAG, based on the Cabinet Fees Framework:

- \$600 per day, or \$75 per hour

Work other than preparation for meetings must be approved by HUD and recorded in writing before it is undertaken. This should be discussed with David Hermans as the first point of contact.

Meetings will be in Wellington and will cater for both in person and on-line attendance. Members outside of Wellington are not expected to attend in person, unless requested in exceptional circumstances. If members are requested to travel, then HUD will reimburse them for reasonable travel costs.

SUPPORT

The HEAG will primarily be supported by officials from HUD. This will involve preparing agendas, arranging HEAG meetings, and liaising with the HEAG between meetings.

The first point of contact for HEAG members should be David Hermans, and for logistics, Natalie Nienaber at HUD.

Contact details

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Housing Expert Advisory Group: Workshop 1

The Ministry of Housing and Urban Development (HUD) is facilitating four workshops with the Housing Expert Advisory Group, to help inform advice for initial Cabinet decisions on the Going for Housing Growth (GfHG) package in June 2024.

We anticipate decisions in June will focus on Housing Growth Targets, Making the Medium Density Residential Standards optional, and improvements to the National Policy Statement on Urban Development 2020 (NPS-UD), including enabling greater use of mixed-use zoning.

A key goal of these workshops is to help officials in thinking, design and testing of policy, with a focus on reaching implementable policy solutions. To this end, we will encourage free and frank discussion between experts and officials to explore ideas and opportunities.

Outline of workshops 1 - 4:

A description of each workshop is outlined below. To support your participation, pre reading material and agendas will be shared prior to each workshop. David Hermans will be the facilitator for each session.

- **Workshop 1 - Blue skies, Tuesday 23 April, 1pm-4pm** – agenda and pre reading material is provided on page 3.

To discuss and explore the most impactful policy changes the Government could make to improve the extent to which urban land markets are well-functioning and competitive, and implications for the Going for Housing Growth Programme.

- **Workshop 2 – Development capacity requirements, urban expansion and infrastructure alignment** (Timing TBC)

Focuses on the overall approach for setting development capacity requirements (housing growth targets, and/or land market indicators), including how development capacity requirements should be informed by evidence on how urban land markets are functioning. We'll also explore issues and options related to urban expansion and containment, aligning infrastructure to support development capacity, and potential changes to infrastructure funding settings.

- **Workshop 3 - Intensification requirements** (Timing TBC)

To discuss the following matters on strengthening the NPS-UD to better-enable mixed-use development; potential options of developing new alternative minimum density standards; and potential improvements that could be made to the intensification policies of the NPS-UD based on experience with implementation to date.

- **Workshop 4 – Wrap-up, (Timing TBC)**

This workshop is an opportunity to explore the key takeaways from the workshops 1-3, outline how they have informed HUDs policy thinking and proposals and to test the likely impact of these on development economics and behaviour.

HUD intends to invite a small group of trusted residential developers to join the HEAG for the last session to discuss the practical implications of the proposals and to test policy thinking and theory against on-the-ground practice.

Membership of the Housing Expert Advisory Group

The Housing Expert Advisory Group consists of the following members:

- Kevin Counsell
- Eric Crampton
- Stuart Donovan
- Marko Garlick
- Malcolm McCracken
- Stuart Shepherd.

Officials attending in support of the Group:

- Hilary Joy, General Manager System Policy, Ministry of Housing and Urban Development (HUD)
- David Hermans, Chief Advisor, HUD
- Fiona McCarthy, Manager Urban Development Enablement, HUD
- Cam Vannisselroy, Principal Advisor Urban Development Enablement, HUD
- David Shamy, Principal Advisor Planning and Infrastructure, HUD
- Daniel Lawrey, Principal Advisor Housing Supply and Affordability, HUD
- Lesley Baddon, Auckland Regional lead, Ministry for the Environment
- Stephanie Gard'ner, Principal Policy Advisor, Ministry for the Environment
- Chris Parker, Principal Policy Advisor, Treasury
- Peter Nunns, Director, Economics, Te Waihanga Infrastructure Commission

Other officials may also be invited to attend workshops from time to time.

Agenda and pre reading for workshop 1 – ‘Blue skies’

Date and time:

Tuesday, 23 April 2024, 1pm – 4pm

<u>TIME</u>	<u>TOPIC</u>
<u>1.00 - 1.30pm</u>	Introductions and discussion on the overall Going for Housing Growth programme, and key milestones.
<u>1.30 - 2.30pm</u>	To discuss the following: <i>What is your overall view of the Going for Housing Growth programme, and the challenges and opportunities it is intended to address? Is it focused on the right things to support more housing supply? Are there gaps?</i> <i>What are the most impactful policy changes the Government could make to improve the extent to which urban land markets are well-functioning and competitive?</i> The discussion should not be limited to the contents of the Going for Housing Growth manifesto or the matters likely to be form part of the Cabinet paper in June. We would like to focus predominantly on matters relating to land-use policy, however, we also welcome discussion about other aspects that contribute to well-functioning urban systems.
<u>2.30 - 3.30pm</u>	We are also interested in changes that could be implemented relatively quickly. <i>What are the biggest ‘quick wins’ the Government could achieve (i.e. design and legislate) on urban policy in the next 12 months</i>
<u>3.30 – 4pm</u>	Wrap-up with key takeaways and next steps.

Suggested Pre Reading

PRE-READING	RATIONALE
<u>Going for Housing Growth Manifesto</u>	This document presents a high-level explanation of the Government's policy intent regarding the Going for Housing Growth programme of work.
<u>Cabinet-Paper-Fixing-the-Housing-Crisis.pdf (hud.govt.nz)</u>	Outlines the Government's approach to the housing crisis, with a focus on increasing housing supply
<u>Assessment of the Housing System: with insights from the Hamilton-Waikato Area</u>	Joint paper by the Housing Technical Working Group, a joint initiative of the Treasury, Ministry of Housing and Urban Development and Reserve Bank of New Zealand. Provides an assessment of the key drivers of the housing market over the last 20 years.
<u>A New Approach to Urban Planning</u>	Paper developed by the Hon Phil Twyford-convened 'Urban Land Markets Group', examining how resource management reform can be used to improve opportunities for housing supply.
<u>NPS-UD A3 explainer</u>	These documents provide a high-level background to the NPS-UD and MDRS. There are a range of other background documents on the <u>NPS-UD</u> and <u>MDRS</u> on the MfE website.
<u>National Policy Statement on Urban Development 2020: Introductory Guide</u>	
<u>Medium Density Residential Standards: A guide for Territorial Authorities</u>	
<u>NPS-UD Cost-Benefit Analysis</u>	This document provides an overview of core urban economics concepts and applies these to NPS-UD and New Zealand.

NPS-UD amendments

#	Theme	Amendment	Summary	Notes
1	Implementation	Extend Tier 1 cities	Allow the NPS-UD tier 1 provisions to be extended to smaller urban settlements with identified housing affordability problems.	The NPS-UD (tier 1 rules) and MDRS do not apply to many smaller cities and towns that nonetheless have housing affordability problems (e.g. Queenstown and Wanaka). Amendments should add Queenstown to Tier 1 urban areas immediately and specify a small set of affordability thresholds that – when triggered – allow the Minister of Housing to extend Tier 1 obligations to these urban settlements.
2	Implementation	Direct Tier 2 / 3 cities	Extend the directed provided for current Tier 2 and 3 cities (currently under Policy 5).	The NPS-UD should provide more direction to Tier 2 and 3 cities (currently under Policy 5). While these cities are individually small, they collectively form an important part of the overall housing market and, moreover, are increasingly experiencing housing shortages. One option is to remove the ability for Tier 2 and 3 cities to explicitly limit density and dwelling typologies. They would still be allowed to restrict built form, such as heights and setbacks. This would enable attached housing typologies within the permitted building envelope.
3	Implementation	Triage implementation	Specify those NPS-UD provisions that Councils must implement immediately and those that can be subject to a plan change.	The NPS-UD could specify which provisions should be immediately implemented by Councils – such as the removal of parking requirements, the removal of minimum area requirements for dwellings / balconies / lots / communal areas, and the removal of view shafts – as well as which provisions can be subject to a longer plan change process. This will help secure “quick wins”.
4	Implementation	Targeted plan changes	Amend the NPS-UD to provide for a targeted plan change process to expedite adoption.	Many Councils have implemented NPS-UD and MDRS provisions, which may be at risk of being watered down if they are re-opened. The amended NPS-UD could allow Councils to follow a targeted plan change process that only re-considers the content of policies that are directly related to the amended NPS-UD and through which adopted provisions cannot be less permissive than currently notified. NB: This will require criteria for determining whether policies are directly related to the NPS-UD with appropriate thresholds.
5	Implementation	Demand and capacity	Revise Policy 7 of the NPS-UD and amend methodology for HBA.	Policy 7 of the NPS-UD could be revised to give Central Government, specifically MfE and MHUD, final responsibility for setting targets for housing and business land based on HBA's that are prepared by Councils and submitted to Central Government. Policy 7 should also be amended to explicitly clarify that housing bottom lines are a minimum, rather than a target / ceiling. The objective should always be to enable as much housing as possible. The methodologies used in HBA should also be reviewed to consider whether there is merit in 1) allowing a larger margin on capacity (currently 15-20%); 2) explicitly accommodating for growth in the demand for dwellings / floorspace due to income effects; and 3) providing clearer guidance on demand factors to consider in the analysis, e.g. prices.
6	Implementation	Proportionate upzoning	Provide additional direction for Policy 3(a)-3(d) that requires zoning to be proportionate to demand and accessibility.	Policy 3(a)-3(d) in the NPS-UD currently have no policy direction. In contrast, the draft NPS-UD Policy 3(d) and current Policy 5 have a good framework for zoning decisions in urban areas. This framework should be applied to Tier 1 cities. Departing from this would then become a qualifying matter, as with other departures under Policy 3.
7	Implementation	Base zoning	Require councils to determine the “base” zone based on the fundamentals of the NPS-UD.	The base zone should be determined by the fundamentals of the NPS-UD requirements first, with overlays and precincts then applied second. The total negative effects of overlays and precincts on development potential can then be quantified with reference to the “base zone” as a baseline, allowing their costs to be more accurately quantified.
8	Upzoning	Mixed use zoning	Enable mixed-use activities (residential, commercial, and retail) where proximity to centres and transit triggers upzoning.	The NPS-UD currently only requires residential upzoning in proximity to centres and transit. This requirement should be expanded to require mixed used zoning – that is, Councils must allow residential, retail, and commercial activities as of right in areas in proximity to city / metro / town centres and rapid / frequent transit.
9	Upzoning	Permitted activities	Where proximity to centres or transit triggers upzoning, residential, commercial, and retail activities are defined as permitted activities.	Require Councils define dwellings as “permitted activities”, such that developments in these areas do not always require Resource Consent. The Terrace Housing and Apartment Building (“THAB”) zone in Auckland, for example, is currently defined as “restricted discretionary” activities, which means that all proposals require resource consent and there is no consent-free pathway. NB: This may need to specify the permitted envelopes and standards, e.g. site coverage, setbacks, recession planes, height limits etc.
10	Upzoning	Rapid transit	Amend the NPS-UD to clearly state what is rapid / frequent transit and require upzoning in advance.	The failure to define rapid / frequent transit in the NPS-UD has introduced considerable inefficiencies and transaction costs into the plan change process. The NPS-UD should be amended to clearly specify what is rapid / frequent transit and require upzoning in areas that are proximate to planned routes (NB: We emphasise upzoning routes because precise station locations are often not known until later).
11	Upzoning	Frequent transit	Introduce a “frequent transit” definition that triggers a requirement for moderate upzoning, e.g. minimum 4 storeys.	The NPS-UD definition of “rapid transit” excludes many high-quality frequent transit corridors that tend to operate in mixed traffic (and hence are not “rapid”) but which generate high ridership and could support medium density urban development, e.g. frequent bus routes. NB: Revising building codes to define 4 storey buildings as light weight would serve to complement this amendment.
12	Upzoning	Front and side setbacks	Remove front set-backs entirely and, where proximity to centres or transit triggers upzoning, remove the requirement for side setbacks.	The NPS-UD provisions focus on boosting height limits in locations that are proximate to centres and transit. The benefits of higher height limits, however, can be hard to realise because of onerous setback requirements. Removing front and side set-backs allows developments to make more efficient use of the available land and contributes to a better urban form with more usable greenspace. NB: We suggest removing side set-backs only in locations where the NP-UD triggers upzoning due to proximity to centres and transit.
13	Upzoning	Recession planes and outlook controls	Where proximity to centres or transit triggers upzoning, relax requirements for side recession planes (“height in relation to boundary” rules).	The MDRS standard recession plane is 4m + 60 degrees. This means the removal of side setbacks will not allow for rows of townhouses taller than 4m (two storeys) because they would still need to confirm with recession plane on the side boundary. Removing side recession planes would address this problem. NB1: Retaining rear recession planes, rear setbacks, and site coverage rules ensures sufficient daylight and may support the emergence of perimeter block development. NB2: Outlook controls should also be removed.
14	Upzoning	Walk catchments	Specify walk catchment distances where upzoning is triggered by proximity to centres and transit.	The NPS-UD does not specify walk catchments, which has introduced considerable inefficiency (cost and delays) into plan change processes. Data reveals surprisingly little variation in how far people are willing to walk to work in centres and/or transit, not only within New Zealand but also internationally. Specifying standard walk catchments would reduce ambiguity and improve process efficiency. These specifications could be for both the city centre and other cities and seek to reduce ambiguity associated with Policy 3(d).

#	Theme	Amendment	Summary	Notes
15	Upzoning	Special character	Preclude or significantly restrict "special character" as a qualifying matter.	NPS-UD provisions have been circumvented by many Councils on the grounds of "special character". In Auckland, around 50% of land close to the city centre has been excluded from NPS-UD / MDRS provisions, for example. Amendments could require that special character overlays are supported by additional evidence that need to be met block-by-block or a simple cap on the maximum extent of character areas, e.g. no more than 1% of urban land / population and no more than 10% of land / population in a SA2/ward.
16	Upzoning	Future transit corridors	Preclude or significantly restrict "future rapid transit infrastructure" as a qualifying matter.	Both Auckland and Wellington are proposing new rapid transit projects. Requiring that areas are allowed to intensify in advance of projects would be highly beneficial, as it can help test demand and brings forward benefits.
17	Upzoning	Supporting evidence	Increase supporting evidence requirements	The NPS-UD already has specific implementation direction about the components of Section 32 analyses. It is possible to amend the NPS-UD to require the quantification of costs and benefits for all "other" qualifying matters.
18	Deregulation	Minimum requirements	Remove Councils' ability to specify minimum requirements, e.g. the area of balconies, dwellings, lots, and communal open space.	The NPS-UD is silent on minimum area requirements for balconies, dwellings, lots, and communal open space. Research finds these regulatory requirements add significant costs (~\$100,000-\$200,000) especially for smaller dwellings – with little tangible economic benefit. Other similar provisions include minimum build heights (WCC PDP CCZ-S4 requires 22m), minimum building separation distances (WCC PDP HRZ-S17 requires 10m), and maximum building depths (WCC PDP HRZ-S16 requires 20m).
19	Deregulation	Internal effects	Remove Councils ability to assess internal dwelling configuration beyond the requirements of the Building Code, except for heritage or other characters areas etc.	Many Councils impose onerous requirements on the internal configuration of buildings, e.g. floor plans and furniture, which exceed those in the Building Code and are almost exclusively based on personal taste rather than evidence. These requirements often impose significant costs to application and delay the consenting processes. Council should only be concerned with external interface and not internal arrangements, like furniture. NB1: The approaches currently used by many councils, like Auckland, are clearly illegal as they are not backed up by district plan provisions, so – in addition to changes to legislation and policy – actual legal enforcement or executive action would be helpful. NB2: It would also be useful to explicitly exclude consideration of "internal effects" in the RMA reform.
20	Deregulation	Landscaping	Remove amenity-based landscape controls within district plans.	Remove consideration of amenity-based landscape controls, such as planting and fencing, which can be altered once the resource consent has been implemented. This will reduce consenting timelines and unproductive documentation
21	Deregulation	View shafts	Remove Councils' ability to apply view shafts unless supported by economic and cultural evidence.	The NPS-UD is silent on view shafts, which significantly reduce development capacity in many central parts of Auckland. Research finds that the costs of individual view shafts (E10) run into the billions of dollars in foregone development potential, for little to no tangible economic or cultural benefit. The policy basis for many view shafts is weak and wobbly, e.g. views for motorists from SH1.
22	Deregulation	Limit effects	Limit "effects", e.g. views, aesthetics, and occupants.	The NPS-UD could seek to limit effects in ways that support housing capacity. This could seek to retain provisions in the NBEA, which limited effects for views from private property; places on roads where pedestrians cannot stop; the visibility of commercial signage or advertising, e.g. blocking views of billboards; sunlight access to existing or potential solar panels (as long as the building complies with the zone's bulk and location controls); the aesthetics of private homes including multi-unit homes; any perceived effects arising from the demographic characteristic of future residents or customers of businesses; and demand for on-street parking spaces.
23	Deregulation	Density controls	Remove references to density controls in determining environmental effects.	Most District Plans use density controls to assess the effects of applications on the environment. By removing or limiting references to density controls in urban areas, Councils will instead have to assess the specific environmental effects of applications.
24	Deregulation	Marae and papakāinga	Require Councils to enable Marae and papakāinga as permitted activities.	Mana Whenua should not have to seek consent to build Marae or papakāinga. The NPS-UD could require that Marae be defined as "permitted activities" rather than being "restricted" or "discretionary" activities. NB: One common condition (especially when applied to freehold sites rather than those held under customary title) is that applicant must demonstrate whakapapa connections to the whenua.

Housing Expert Advisory Group Workshop #1

Summary

23 April 2024

Attendees

HOUSING EXPERT ADVISORY GROUP	OFFICIALS
• Kevin Counsell • Eric Crampton • Stuart Donovan • Marko Garlick • Malcolm McCracken • Stuart Shepherd	• David Hermans, Chief Advisor, HUD [Facilitator] • Chris Parker, Principal Policy Advisor, Treasury • Peter Nunns, Director, Economics, Te Waihanga Infrastructure Commission • Lesley Baddon, Auckland Regional lead, Ministry for the Environment • Hilary Joy, General Manager System Policy, Ministry of Housing and Urban Development (HUD) • Fiona McCarthy, Manager Urban Development Enablement, HUD • Cam Vannisselroy, Principal Advisor Urban Development Enablement, HUD • David Shamy, Principal Advisor Planning and Infrastructure, HUD • Daniel Lawrey, Principal Advisor Housing Supply and Affordability, HUD • Stephanie Gard'ner, Principal Policy Advisor, Ministry for the Environment

Item 1: Introductions and discussion on the overall Going for Housing Growth programme, and key milestones.

- David Hermans ran through a presentation on background to Going for Housing Growth and approach for four initial workshops with the Housing Expert Advisory Group.
- HUD officials provided an overview on the components of the Going for Housing Growth work programme.

Item 2: Overall views

What is your overall view of the Going for Housing Growth programme, and the challenges and opportunities it is intended to address? Is it focused on the right things to support more housing supply? Are there gaps?

What are the most impactful policy changes the Government could make to improve the extent to which urban land markets are well-functioning and competitive?

Discussion on overall work programme

- Importance of shifting market expectations of future prices. This requires an enduring approach over decades.
- Need to ensure we are not focusing solely on housing, but that housing is also nested within a broader urban policy agenda that includes productivity.
- Links with immigration policy and how we understand absorptive capacity.

Reflections on state of play and how we got here

- There have been some fortunate developments that have favoured housing supply, including capable local decision-making alongside national policy direction (e.g. Auckland Unitary Plan, Hutt City). However, there is a risk of back-sliding.

Housing Growth Targets

Design of targets

- Discussion on merits of targets based on quantity of development capacity or price indicators. Price indicators have theoretical benefits. However, targets and assessments need to be implementable/workable, including for planners and hearing panel members. For the Auckland Unitary Plan, quantity-based assessments were used to show how different planning options translate in the real world.
- Proposal for dual targets – targets based on quantity of development capacity with additional requirements related to price indicators.
- Discussion on price-based targets not applying solely at rural-urban limit. Need to address constraints at different boundaries within a metro area – e.g. restrictions preventing apartments.
- Discussion on how HBAs assess demand. Risk that demand projections ignore current housing shortfalls. Current high housing prices can lead to less demand, which in turn reduces assessment of supply needed.
- Demand needs to look more broadly than just population growth. Income growth also affects overall demand, distribution of available housing, and shortages. Also impact of ageing population. Comments that NPS-UD ‘competitiveness margin’ for development capacity is too small.
- Risk that modelled supply may be concentrated in one part of a metro area. Need to ensure supply is enabled across sub-metro areas (e.g. local government wards or local boards).

Assessing compliance with targets or impacts of district plans on housing

- Comments about lack of rigour, inadequate review/oversight with existing quantity-based assessments (HBAs). Targets based on quantity of development capacity can end up being gamed.
- Proposals to require HBAs to be reviewed by central government (HUD/MfE) or experts appointed by central government. Would need to have an appropriate institutional form for review of HBAs to ensure protected from lobbying.
- Comments about USA having futures market related to house prices. This provides a useful mechanism.

Responses if targets are not met

- Under proposal for dual targets (quantity and price) – non-compliance with price targets could trigger responses. This could include automatic rights to upzone or another entity being able to issue zoning approval.

District plan processes / Independent Hearings Panels

- Variable expertise of hearing panels (e.g. Auckland and Wellington).
- Potential for an amicus role to support hearings panels. Would reduce burden on submitters to fund expert evidence on housing impacts.

Role of private plan changes or alternative consenting authorities

- Policy settings can get distorted in implementation. Therefore, important to have short-circuit mechanisms such as private plan changes.
- Potential for alternative consenting authorities and use of consenting insurance schemes.
- Potential role for iwi to act as their own planning authority on their land (e.g. Canadian approach).
- Current challenges with private plan changes – council incentives, high transaction costs, burden of proof. Worth investigating reversing the burden of proof.

Infrastructure

- Local Water Done Well move towards regulated industry model (like electricity sector). This should enable infrastructure providers to borrow against revenues and overcome existing issues with councils.
- From a political-economy perspective, it may be worth enabling some degree of over-recovery of infrastructure costs for new development. Current restrictions can lead to under-recovery of infrastructure costs, which affects council/community views on growth.
- In some circumstances, better infrastructure pricing should lead to less infrastructure, especially where infrastructure investment does not provide value to users.

Approach to further reforms

- In the long-term, we may aim to deliver a comprehensive package as settings are interdependent. There is a tension between providing a comprehensive reform package and delivery timeframes.
- Need to focus not just on legislation/national direction, but also effective implementation. Useful to identify where shifts can be achieved through nudging councils vs central government direction vs City and Regional Deals.
- Important to test policies and implementation with key players who make things happen (councils, developers, infrastructure investors).
- Risks of backlash from some interventions and polarisation between urban development vs protection.
- Could consider providing release valves (e.g. Houston opt-out model).

Other

- Could investigate Local Government Rating Act and how well it enables targeted rates and land value-based rating.
- Could consider ways to better enable agreements between neighbours to manage effects (Coasean bargaining). Need agreements to be listed on LIMs.

- Could consider changes to restrictive covenants – e.g. ability to remove with 75% majority or requirement to renew covenants after lapse period.
- A lot of issues with coordination/land aggregation/hold-outs can be overcome by private parties if enough sites have zoning that permits an activity (e.g. if supermarket activities are allowed in many places).

Item 3: Quick wins

What are the biggest ‘quick wins’ the Government could achieve (i.e. design and legislate) on urban policy in the next 12 months

- Need to ensure that ‘quick wins’ help us deliver the long-term objectives and don’t become ‘quick losses’ – i.e. where the political risk (including delay and distraction) outweighs the benefits for the housing and urban development.
- Stuart Donovan has provided a list of potential changes to NPS-UD.
- Worth reflecting on experience with removal of carparking requirements – relatively uncontroversial and effective.
- Issues with RMA being used to manage building standard issues that are more closely related to the Building Act – e.g. internal light, internal layout, apartment sizes, balcony requirements, landscaping.
- Could consider greater prescription/guidance around how NPS-UD categories of city centre, metropolitan centre, and town centre are applied. Variable practice between Auckland and Wellington.
- Concerns about application of NPS-UD provisions on ‘qualifying matters’, particularly provision on ‘any other matter’ that makes higher density development inappropriate in an area. One option could be to enable council flexibility about what is deemed a qualifying matter but set a cap on the proportion of a geographic area that can be subject to qualifying matters (e.g. no more than 20% of a local government ward area can be subject to a qualifying matter).
- Could consider limitations on what can be considered as an ‘effect’ under RMA (e.g. views from private properties, impacts on demand for carparking).
- Could investigate potential changes related to viewshafts. Potential to reduce restrictions from view shafts over targeted places like Newmarket or Auckland City Centre, but retain elsewhere. Would need to factor in cultural considerations.
- Issues with NPS for Highly Productive Land.

Item 4: Wrap-up with key takeaways and next steps.

- David Hermans provided an overview on key points from the discussion.
- HUD will circulate a summary of the discussion. HUD will also circulate the chat from MS Teams.
- Next workshop is on 2 May, with a focus on development capacity requirements and the use of land-market indicators.

Workshop #2: Development capacity requirements, urban limits and infrastructure alignment

Date and time: Thursday, 2 May 2024, 1pm – 4pm

<u>TIME (approx)</u>	<u>ITEM</u>	<u>TOPIC</u>
<u>1.00 - 1.15pm</u>	1	Brief overview and context : including GfHG direction, current development capacity requirements, the capacity being enabled by councils, and issues with current approach
<u>1.15 – 2.15pm</u>	2	The role of land market indicators in land-use policy (including overview and discussion of recent work from the Housing Technical Working Group)
<u>2.15 - 3.00pm</u>	3	Quantity-based development capacity requirements (incl. how to adapt and improve current approach to meet GfHG objectives)
<u>3.00 – 3.50pm</u>	4	Enabling more responsive capacity release (incl. addressing urban limits)
<u>3.50 – 4.00pm</u>	5	Wrap-up and next steps.

Membership of the Housing Expert Advisory Group:

- Kevin Counsell
- Eric Crampton
- Stuart Donovan
- Marko Garlick
- Malcolm McCracken
- Stuart Shepherd

Officials attending in support of the HEAG at Workshop #2:

- Hilary Joy, General Manager, System Policy, HUD
- David Hermans, Chief Advisor, HUD [Workshop Facilitator]
- Fiona McCarthy, Manager, Urban Development Enablement, HUD
- Cam Vannisselroy, Principal Advisor, Urban Development Enablement, HUD
- David Shamy, Principal Advisor, Planning and Infrastructure, HUD
- Daniel Lawrey, Principal Advisor, Housing Supply and Affordability, HUD
- Mariona Roigé Valiente, Principal Advisor, System Intelligence, HUD
- Lesley Baddon, Auckland Regional lead, Ministry for the Environment
- Stephanie Gard'ner, Principal Policy Advisor, Ministry for the Environment
- Chris Parker, Principal Policy Advisor, Treasury
- Peter Nunns, Director, Economics, Te Waihanga Infrastructure Commission
- Keith Miller, Principal Policy Analyst, Department of Internal Affairs

Workshop overview and discussion questions

Introduction

- Central government has set development capacity requirements for councils since 2016, when the National Policy Statement on Urban Development Capacity was introduced.
- The Housing Growth Targets as articulated in the Going for Housing Growth (GfHG) manifesto would, if implemented, represent an evolution of the approach to setting development capacity requirements. However, the Minister of Housing has made it clear that he is open to alternative mechanisms for setting development capacity requirements for councils beyond the approach articulated in GfHG.
- Officials would like to use this 2nd HEAG workshop to focus on the overall approach for setting development capacity requirements, including how development capacity requirements are informed by evidence on how urban land markets are functioning.
- Our focus for this session is on overall development capacity requirements (such as the requirement proposed through GfHG to zone for 30 years' of housing demand), rather than targeted interventions that may also provide development capacity (such as requiring upzoning around transit stops). We will focus on these targeted interventions in Workshop #3.

Agenda Item 1: Overview

- We suggest starting the workshop with a brief overview and discussion of current development capacity requirements, the capacity being enabled by councils, and issues with the current approach.

Agenda Item 2: Role of land-market indicators

- Discussion on the role of land-market indicators in land-use policy. The Housing Technical Working Group (HUD, Reserve Bank, and Treasury) has undertaken significant work in recent years on land indicators, and this will be presented briefly to the HEAG. HUD officials have also recently provided advice to the Minister of Housing on the merits and challenges of using land-market indicators to inform development capacity requirements.
- We suggest the following questions to guide this section of the workshop:
 - ***What are the benefits, limitations and considerations of using different indicators (such as rural-urban boundary price differentials, or alternatives) as a:***
 - ***Market diagnostic tool; and/or***

- ***Trigger for the release of development capacity (whether on their own, or in conjunction with a quantity-based development requirement)?***
- ***If indicator-based requirements were to be used as a trigger for the release of development capacity:***
 - ***What are the key elements we need to get right for indicators to be effective and implementable as a trigger?***
 - ***What indicator(s) should be used?***
 - ***How do we ensure we are drawing the right conclusions from indicators (e.g. how do we design indicators to distinguish the effects of regulation from the effects of other constraints, including infrastructure)?***
 - ***What should the policy response be to different indicators – e.g. UFDs vs PCRs?***
 - ***How should lags between zoning changes and their full effect appearing in indicators be handled?***

Agenda Item 3: Quantity-based development capacity requirements

- In parallel to considering the role of indicators, officials have also been considering how we could adapt and improve the current quantity-based approach to development capacity requirements, in line with the proposals articulated in GfHG. For this part of the session, we would like to discuss the following key question:
 - ***If a quantity-based approach to development capacity requirements were to be used, do you agree with officials' current thinking regarding how these requirements could be changed from the current system under the NPS-UD? If not, where do you disagree?***

Agenda Item 4: Enabling more responsive capacity release (incl. addressing urban limits)

- At Workshop #1, the HEAG identified that private plan changes can be a powerful tool to enable competition and responsiveness in the system. The Minister for Housing has also expressed interest in “smashing urban limits” and encouraging ‘leapfrogging’ to support competitiveness and make growth easier on the edge of cities, where it is economic.
- Private plan changes are already enabled in the system to varying degrees, and Policy 8 of the NPS-UD requires that councils are responsive to plan changes unanticipated by RMA planning documents, or out-of-sequence with planned land release.
- However, there is uncertainty and inconsistency in the extent to which the existing settings can readily shift urban limits. Decisions on private plan changes are influenced by a number of different plans and policies across the system (e.g. depending on

whether policies sit at a district plans or regional policy statement level, and what is contained in Future Development Strategies, Infrastructure Plans, Long-term plans etc.). These don't always align well together, are inconsistent across the country and within regions, and are often open to challenge.

- We anticipate further supporting responsiveness through GfHG by:
 - Developing better infrastructure funding tools and new rules for infrastructure funding from new development. Councils will be less likely to manage the cost of infrastructure growth via land-use regulation and developers will 'price in the cost' of infrastructure in land use purchases (lowering the cost of land).
 - Addressing the 'first-mover' problem, where a developer must pay for the full costs of new infrastructure that services subsequent development through the infrastructure funding tools workstream
- Officials are interested in exploring how to make the 'rules of the game' for developer-initiated expansion of urban limits, or the upzoning of existing urban areas, consistent, and more responsive across planning, regulatory and infrastructure settings. We recognise the need for a close linkage between development capacity requirements and infrastructure planning, funding, financing and delivery.
- We suggest the following questions to guide this section of the workshop:
 - ***How do we better ensure strategic planning for growth and infrastructure supports responsiveness to developer-initiated opportunities?***
 - ***Is there a different policy approach needed to support 'leap frogging' – where planned development is brought forward by a developer – than for developments not anticipated or identified in council strategies or plans at all?***
 - ***Where do the articulations of the 'rules of the game' sit within in the system?***
 - ***How can this approach account for and mitigate the impacts of unplanned development on wider network costs, and support efficiency of infrastructure use?***
 - ***How do we ensure that the development capacity that is released is backed by an ability to deliver associated infrastructure?***
 - ***What is the role of spatial planning in this?***
- Alongside Housing Growth Targets, we are undertaking work to require councils to declare that infrastructure for new development will be funded from rates and levies applied to new development, instead of being subsidised by other communities. We would therefore like to discuss the following questions:

- *How is the cost of growth infrastructure distributed between parties (i.e. landowners, developers, ratepayers, central government, users)? How does this affect council approaches to zoning?*
- *How does the potential for changes to infrastructure funding settings over time affect landowner decisions on whether to develop land or hold land for development in the future?*

Suggested pre-reading (provided)

PRE-READING	EXPLANATION
Overview of current development capacity requirements and summary of development capacity enabled by different councils under status quo	This information provides context for discussion about development capacity requirements.
Advice on quantity and indicator-based development capacity metrics	This document is intended to inform the discussion about the relative merits of quantity-based and indicator-based development capacity requirements.
Draft Housing Technical Working Group paper on Land Efficiency Indicators	This document provides a summary of officials' technical thinking on the design and interpretation of different land indicators, and may inform the discussion about how indicators could be used to inform development capacity requirements.
Summary of current thinking on design of quantity-based Housing Growth Targets	This document is intended to inform the discussion about how quantity-based development capacity requirements could be improved.
Going for Housing Growth: Infrastructure funding settings – initial advice	This document provides background on the objectives and scope for work on requiring councils to declare that infrastructure for new development will be funded from rates and levies applied to new development.

NB – Further material may be provided prior to the workshop

From: [David Hermans](#)
To: [Marko Garlick](#) s 9(2)(a) [Eric Crampton](#) s 9(2)(a) [Stuart](#)
[Zonovan](#) s 9(2)(a) [McCracken, Malcolm](#) s 9(2)(a) [Stuart](#)
[Shepherd](#) s 9(2)(a) [Counsell, Kevin](#) s 9(2)(a) [Lesley Baddon - MFE](#);
[Mariona Roige Valiente](#); [Stephanie Gardner](#); [Keith Miller](#); [Daniel Lawrey](#); [David Shamy](#); [Cam Vannisselroy](#);
[Fiona McCarthy](#); [Hilary Joy](#); [Peter Nunns](#) s 9(2)(a) [Chns Parker \[TSY\] \(Guest\)](#);
[Jane Keane](#)
Cc: [Alex Gunn](#); [Laura Miller](#)
Subject: RE: Material for Second HEAG Workshop - 2 May 2024
Date: Friday, 26 April 2024 6:37:00 pm
Attachments: [Workshop 2 - Memo - Overview of development capacity under the status-quo.pdf](#)
[Draft paper on Land Supply Effectiveness Indicators HTWG.pdf](#)
[Workshop 2 - Memo - development capacity requirements and price indicators.pdf](#)
[g. Infrastructure funding settings briefing.pdf](#)
[Workshop 2 - Slides - Housing Growth Targets policy thinking overview.pdf](#)
[Agenda - Housing Expert Advisory Group Workshop 2.docx](#)
[image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.jpg](#)

Kia ora koutou

Please find attached the background and reading material for the second HEAG workshop scheduled for Thursday 2 May at 1pm.

Suggested discussion questions, alongside some brief context, are included in the agenda paper.

I look forward to another great discussion, and hope you all have a good weekend –

Ngā mihi,

David

David Hermans ([he/him](#))

Chief Advisor Auckland | Policy Group

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Memo: Overview of development capacity under the status-quo

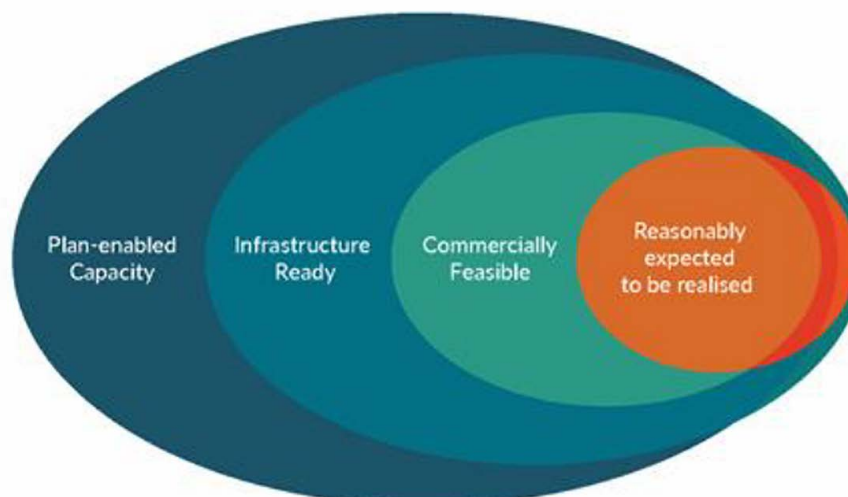
To	Housing Expert Advisory Group
From	Cam Vannisselroy, Principal Policy Advisor, Urban Development Enablement
Approved by	Fiona McCarthy, Manager Urban, Development Enablement
Purpose	To summarise development capacity requirements under the NPS-UD and the MDRS, and outline how much development capacity councils have provided under these policies.

Development capacity requirements

1. The NPS-UD requires councils to provide sufficient development capacity to meet demand (plus a competitiveness margin) over the short, medium and long-terms. In order to be sufficient to meet expected demand for housing, the development capacity must be all of the below:
 - a. **Plan-enabled.** Plan-enabled capacity is theoretical capacity (i.e. what is allowed to be built under a council's district plan) – it is not subjected to an assessment of whether it would be feasible to develop in practice.
 - b. **Infrastructure-ready.** This means plan-enabled capacity that is (or will be, depending on the time horizon) serviced with sufficient trunk water and transportation infrastructure to support development.
 - c. **Feasible and reasonably expected to be realised.** Plan-enabled capacity is considered feasible if a developer could build that capacity at a profit (based on factors like market prices, construction costs, location, typology etc.). Reasonably expected to be realised capacity is the amount of plan-enabled, infrastructure ready, and feasible capacity that a council expects will be built.
 - d. For tier 1 and 2 local authorities, supported by an appropriate **competitiveness margin** (an extra margin of development capacity intended to support choice and competitiveness in housing and business land markets).
2. Not all capacity that is plan-enabled will be infrastructure-ready, commercially feasible, or reasonably expected to be realised, as shown in **Figure 1**.
3. In addition to the requirement to provide sufficient development capacity, councils must also comply with the NPS-UD's intensification requirements and (in the case of Tier 1 councils and Rotorua) the MDRS.



Figure 1: Distinction between different forms of capacity



4. 'Plan-enabled', 'infrastructure-ready', and 'commercially feasible' mean different things over different time horizons, as set out in **Annex A**.

Development capacity enabled under the status quo

5. At present, tier 1 and 2 councils are required to prepare a Housing and Business Development Capacity Assessment every three years to estimate demand for housing and the development capacity that is enabled over the short, medium, and long-term.
6. There are various issues and inconsistencies with the way councils prepare and report these assessments that make it difficult to draw conclusions about the capacity that is provided or have confidence in the numbers provided.
7. Nevertheless, **Annex B** aggregates council-provided information on:
- a. Councils' most recent estimate of the number of new dwellings that will be needed to meet demand over the long-term (30 years)
 - b. The capacity that will be enabled over the short-term (0-3 years) in district plans:
 - i. prior to implementing the NPS-UD and MDRS; and
 - ii. once the NPS-UD and MDRS are in place
 - c. The capacity will be enabled in district plans over the short-term, and is deemed to be feasible, infrastructure-ready, and reasonably expected to be realised:
 - i. prior to implementing the NPS-UD and MDRS; and
 - ii. once the NPS-UD and MDRS are in place
8. With reference to the plan-enabled figures, in some cases, achieving these numbers would require demolishing existing houses and building to the maximum theoretical



capacity enabled. In practice, not all plan-enabled capacity will be feasible or reasonably expected to be realised, having regard to factors such as development economics, a lack of infrastructure, or site constraints.

9. With reference to the plan-enabled, infrastructure-ready, feasible and reasonably expected to be realised figures, most councils report these numbers as cumulative and building on the previous type of capacity assessment, rather than in isolation. This means, for example, we cannot determine how much development capacity is plan-enabled and feasible, regardless of its infrastructure status; we can only determine how much capacity is plan-enabled, feasible and infrastructure ready.
10. It is not possible quantify how much capacity has been enabled under the MDRS compared to the NPS-UD, because council development capacity assessments have not provided this information. However, we expect that capacity provided by the NPS-UD and MDRS will differ between cities.
11. For example, in places like Auckland and Lower Hutt, a relatively high proportion of urban areas are close to mass rapid transit and therefore much of their capacity increase may be a result of upzoning under the NPS-UD. However, in cities like Tauranga and Christchurch that do not have mass rapid transit, a much greater proportion of their development capacity may be provided by the MDRS.

Annexes

Annex A: Development capacity definitions over various timeframes.

Annex B: Overview of development capacity enabled under status quo.

Annex A: Current development capacity definitions over various timeframes

Time horizon	Plan-enabled	Infrastructure-ready	Feasible	Reasonably expected to be realised	Competitiveness margin
Short-term (0-3 years)	Development capacity is on land that is zoned for housing in an operative district plan	There is adequate existing development infrastructure to support the development of the land	Capacity is commercially viable to a developer based on the current relationship between costs and revenue	The amount of plan-enabled, infrastructure-ready and feasible development capacity that a council assesses is likely to be built over the short, medium and long-terms.	Expected demand + 20%
Medium-term (3-10 years)	Either the above applies, or otherwise development capacity is on land that is zoned for housing in a proposed district plan	Either the above applies, or otherwise funding for adequate development infrastructure to support development of the land is identified in a Long-Term Plan			
Long-term (10-30 years)	Either the above applies, or otherwise development capacity is on land identified by for future urban use or urban intensification in a Future Development Strategy (FDS) or any other relevant plan or strategy	Either the above applies, or otherwise the development infrastructure to support the development capacity is identified in the local authority's Infrastructure Strategy (as required as part of its Long-Term Plan)	Capacity is commercially viable to a developer based on the current relationship between costs and revenue, or on any reasonable adjustment to that relationship		Expected demand + 15%

Annex B: Overview of development capacity enabled under status quo

COUNCIL	MOST RECENT COUNCIL ASSESSMENT OF 30 YEAR DEMAND	SHORT TERM PLAN ENABLED CAPACITY PRE-NPS-UD AND MDRS	SHORT TERM PLAN ENABLED CAPACITY POST-NPS-UD AND MDRS	SHORT TERM PLAN ENABLED, INFRASTRUCTURE READY, FEASIBLE AND REALISABLE CAPACITY PRE-NPS-UD AND MDRS	SHORT TERM PLAN ENABLED, INFRASTRUCTURE READY, FEASIBLE AND REALISABLE CAPACITY POST-NPS-UD AND MDRS
Auckland	197,100 (2023)	909,179	2,615,580	Unclear	271,000
Hamilton City	37,500 (2021)	130,600	233,800	4,300	Unclear
Tauranga City	28,980 (2022)	63,060	189,500	3,225	Unclear
Wellington City	30,407 ¹ (2023)	104,941	299,364	26,399* ²	73,856*
Christchurch City	32,103 (2023)	205,178	544,000	82,452 ³	94,000 ⁴
Waikato District	15,800 (2021)	12,300	122,300	300	Unclear
Waipā District	9,500 (2021)	20,400	68,900	4,400	Unclear
Western Bay of Plenty District	7,710 (2022)	Unclear	Unclear	1,564	1,440
Rotorua Lakes District	8,250 (2022)	23,700	129,500	1,700	N/A
Kāpiti Coast District	11,899 (2023)	17,983	300,996	7,818*	32,673*
Upper Hutt City	7,931 (2023)	19,313	241,689	11,361*	18,461*
Hutt City	15,421 (2023)	120,518	271,001	16,815*	28,236*

¹ Both Wellington and Upper Hutt's demand projections include an extra competitiveness margin that is not included in other councils' figures.

² Wellington, Porirua, Kāpiti Coast, Upper Hutt and Hutt City councils all reported plan-enabled, feasible and reasonably expected to be realised capacity in the long term only (30 years) both before and after their NPS-UD and MDRS plan changes. These numbers also do not include an infrastructure-readiness assessment. All numbers this caveat applies to have an asterisk next to them.

³ We have low confidence in this figure, as the council reports the same number for the short, medium, and long terms.

⁴ As above.



Memo: Development capacity requirements and price Indicators

To	Housing Expert Advisory Group
From	Cam Vannisselroy, Principal Policy Advisor, Urban Development Enablement
Approved by	Fiona McCarthy, Manager Urban Development Enablement
Purpose	To provide advice on Housing Growth Targets (Targets) and the potential use of price indicators.

Overview

1. This memo summarises advice recently provided to the Minister of Housing (Minister) on development capacity requirements and price indicators.
2. The Minister of Housing (Minister) has indicated that he is open to alternatives to Housing Growth Targets as a mechanism for directing councils to release more development capacity for housing. His office expressed particular interest in using price signals – such as indicators of rural-urban land price differentials – as the mechanism for requiring councils to release more development capacity for housing.
3. There are effectively two ways to set development capacity requirements for councils:
 - a. **A quantity-based approach:** Requiring councils to enable a certain quantity of development capacity, tied to (for example) levels of predicted demand for housing over a given time period. This is the approach taken under both the National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) and National Policy Statement on Urban Development 2020, and the proposed Housing Growth Targets as articulated in the National Party's Going for Housing Growth manifesto.
 - b. **An indicator-based approach:** Requiring councils to use indicators (such as those relating to price) as the driver of whether more development capacity needs to be provided for housing (which ultimately leads to a quantity-based response).
4. We have continued to advance our thinking on how the Housing Growth Targets should be designed under a quantity-based approach. Our thinking is only indicative at this point and is intended to be used as a starting point for the Expert Group to consider. The slide pack accompanying this memo sets out our current thinking on these matters. This memo focuses primarily on the prospect of taking an indicator-based approach.



Objective of development capacity requirements

5. In New Zealand, central government has set housing and business development capacity requirements for councils since 2016, when the NPS-UDC was introduced, and subsequently amended via the NPS-UD. The NPS-UD already requires councils to monitor price indicators as a diagnostic tool.
6. We consider that the primary objective of setting development capacity requirements is to ensure that councils are providing enough development capacity for housing and business use to promote well-functioning, responsive, and competitive urban land markets. In working to achieve this primary objective, development capacity requirements should be set in a way that:
 - a. Are appropriately straightforward for councils to comply with.
 - b. Provide central government with confidence that councils are complying with the rules.
 - c. Provide transparency and clarity for the development community on the 'rules of the game'.

Price indicators are useful for diagnosing how well land markets are functioning

7. Price indicators refer to evidence and data points that can be used to indicate what is happening in a city's housing market, and to identify how land use rules, urban policies and infrastructure might be contributing to its performance.
8. There are a range of price indicators that indicate how land markets are functioning. Two of the most common are:
 - a. **Rural-urban boundary price differentials** (RUB differential) – these show the difference between the price of land that is zoned for urban use, and land zoned for rural use.
 - b. **House price to development cost ratios** (PCRs) – these show the extent to which house prices are driven by development costs versus the cost of infrastructure-serviced land.
9. High RUB differentials or PCRs can indicate that there is a constraint to well-functioning land markets. Such constraints may include zoning, a lack of infrastructure, or natural geographical constraints, amongst other matters.
10. The NPS-UD requires councils to prepare analysis at least every three years on how the relevant local authority's planning decisions and provision of infrastructure affects the affordability and competitiveness of the local housing market. This analysis must be informed by use of market indicators and price efficiency indicators, such as the above, although the NPS-UD does not specify which indicators must be used. The quality of monitoring and analysis undertaken by councils with reference to these indicators has to date been varied. Ultimately, the requirements to enable



However, methodological differences in data used, and how boundaries between urban and rural are defined have large impacts on the estimated dollar difference.

14. Other price indicators have been developed in an attempt to address some of these limitations. For example, a recent New Zealand paper has suggested use of a land cost per floor area metric, which captures not just land price changes, but also changes in how much development is allowed on a site (e.g. from allowing more storeys or a higher site-coverage ratio).² While promising, such a metric is effectively only at prototype stage and is not ready to be operationalised in the short-term.
15. Therefore, for price indicators to be used as a trigger for councils to release development capacity, significant additional work is required to determine:
 - a. Which price indicator should be used for determining when development capacity to be released.
 - b. How that price indicator should be measured.
 - c. The level of the given price indicator that would trigger the release of additional development capacity.
16. Furthermore, consideration would be needed on how any price indicators are monitored and produced. Most councils would not have sufficient capabilities to produce complex price indicators, meaning support from the central government may be required (e.g. producing and providing indicators to councils), or councils may need to contract this work out.

Price indicators are not well-suited as a trigger for a policy or planning response, and there would be a significant lag between monitoring of price indicators and release of development capacity

17. While price indicators are useful for identifying trends in land markets, substantial further work would be required to determine what policy or planning response is required to a price indicator. For example, if a RUB differential above a certain threshold was used as a trigger for the release of development capacity, then policy would need to be developed on how much development capacity would need to be released. This would likely require speculative or arbitrary assumptions to be made about elasticities of price and demand (i.e. about how much additional development capacity needs to be released to bring down the RUB differential to the 'acceptable' level).
18. Once the appropriate response has been determined, councils will need to undertake a process to identify which land (including whether it is greenfield or brownfield land, and where) to rezone for housing, and undertake the rezoning process. Generally, plan change processes to enable development capacity under the RMA are relatively lengthy, usually taking somewhere between two and four years (or more) depending

² Geoff Cooper, Ryan Greenaway-McGrevy and James Jones (2022). *Measuring the Cost of Land Inputs to Housing Construction*.



development capacity in the NPS-UD are quantity-based, and not directly linked to the price signals.¹

There is debate about the appropriate design of price indicators and what they demonstrate

11. While there is general agreement that price indicators are useful for diagnosing the performance of land markets, there is less consensus about the appropriate metric to be used, and how the metric should be designed.
12. For example, while RUB differentials are based on sound and widely accepted urban economic theory there are number of complicating factors that limit their use as a diagnostic tool or trigger for a policy response:
 - a. Upzoning in brownfield areas can actually *increase* urban land prices, even as it reduces the cost of land required *per dwelling*. Reliance on RUB differentials as a diagnostic tool may lead to incorrect conclusions regarding whether there is sufficient development capacity available for housing and about the appropriate policy response to be taken.
 - b. RUB differentials come with a time lag (for example, valuations data is only produced once every three years).
 - c. Studies of the RUB differential are very sensitive to boundary definition. In practice, there are several different 'boundaries' that can be used to distinguish between rural and urban land. Once a boundary is decided, there are choices about which parcels inside and outside the boundary are measured, including their distance from the boundary and how land parcel size is controlled for.
 - d. The RUB differential has been interpreted as the 'impact of regulation on land prices on either side of the boundary'. However, this is only accurate if all other factors are accounted for, including the full cost of servicing land with infrastructure. In practice these factors are very difficult to fully build into models of the RUB differential which means that the RUB differential generally reflects more than simply the impact of regulation.
 - e. Calculating the RUB differential for a city is highly time-intensive and costly. The underlying data required to calculate RUB differentials is large in scope, requires significant 'cleaning' before being used, is not available in time series format, and is not currently free to access.
13. In line with this, recent research by both the Infrastructure Commission and the Housing Technical Working Group (Treasury, HUD and the Reserve Bank of New Zealand) have shown that restrictions on urban land supply affect the RUB differential.

¹ The requirements in the NPS-UDC and NPS-UD were informed by Covec and MRCagney (2016). *Signals of Under-Capacity: the practicalities of monitoring Price Signals under the National Policy Statement on Urban Development Capacity*. Notably, the Covec paper does not recommend using price indicators as an automatic trigger of particular planning responses, but rather to simply help councils to identify supply-demand imbalance and possible need for more development capacity in plans.



on the process followed and the scale of the plan change. This time period includes work to identify where development capacity will be enabled, identification of rules to apply to development, mapping, impact analysis, calculation of feasible capacity, notification of proposed plan changes for consultation, submissions and hearings, and (in some cases) appeals.

19. Once land has been rezoned, councils would then need to undertake further monitoring of price signals to identify whether the rezoning had been effective, or if more development capacity needs to be released. There can be a significant lag in the availability of information needed to monitor price signals. This means that under the current system, it could take more than half a decade between a price signal triggering the release of additional development capacity, the development capacity being released, and then having the information available to determine whether the development capacity enabled is now sufficient.

Agencies have proposed models for how price indicators could work as a trigger for the release of development capacity

20. Treasury and the Infrastructure Commission favour further work on the use of price indicators as a trigger for the release of development capacity. We support doing further work on these matters. However, these agencies also recognise the practical challenges associated with doing so, and that further work is required before price indicators could be used as a trigger. In particular, Treasury agrees that there is not sufficient time to develop price indicators if they were to be included in legislation this year.
21. Treasury has proposed that a panel of public sector experts could be responsible for monitoring a range of price indicators and that, if the panel determines that the indicators demonstrate that land markets are not well-functioning, a council could be required to allow development anywhere in its urban area subject to infrastructure being in place except where (for example) a natural hazard has been identified. HUD has concerns about the workability and implications of this proposal in its current form, including that:
 - a. Leaving judgements to a panel of experts may not offer sufficient ex ante predictability for councils as to the 'rules of the game' and would have a significant impact on local democracy.
 - b. A requirement to enable development effectively anywhere subject to a small number of conditions may present issues where, for example, councils do not have good information about areas prone to natural hazards.
22. The Infrastructure Commission has suggested requiring councils to use both quantity and price indicators in parallel, with a need to satisfy both price and quantity targets to be considered to have sufficient capacity. For example, the Infrastructure Commission considers that one specific way to this would be to leverage the NPS-UD requirement for a 'competitiveness margin' of housing capacity over projected housing demand.



The NPS-UD could be amended to vary the required competitiveness margin depending upon the current state of price indicators. This would require cities to meet a specified low competitiveness margin if they currently have low land price discontinuities, and a higher margin if they currently have high price discontinuities.

23. HUD considers that this approach may be workable. However, it would require further work to determine the appropriate price indicator, and how different indicator results should be reflected in differing competitiveness margins. In addition, the issues relating to lags as discussed above would remain. For these reasons, we do not believe this approach could be reflected in legislation this year.

We currently favour proceeding with a quantity-based metric as the key mechanism for requiring councils to enable development capacity for housing

24. The NPS-UD currently uses a quantity-based approach to requiring councils to enable development capacity. The Housing Growth Targets as set out in the Going for Housing Growth manifesto are also a quantity-based approach, albeit with a requirement to live-zone significantly more development capacity for housing upfront.
25. There are limitations to quantity-based approaches, including those used currently in the NPS-UD. This includes:
- a. The modelling required to identify feasible development capacity is complex and costly to produce.
 - b. Councils may understate demand for housing or overstate feasible capacity, and it may not always be apparent when they have done this.
 - c. Markets are dynamic in a way that is not fully factored into quantity-based approaches: Demand may increase in areas with lower house prices and reduce in markets with higher prices – this essentially makes the requirements to provide development capacity more stringent for councils with more affordable housing, and more lenient for councils with less affordable housing.
26. Despite these limitations, we consider that quantity-based mechanisms are a workable approach to setting development capacity requirements for councils, and that some of the limitations described above can be addressed through the design of the Housing Growth Targets, which we discuss our current thinking on in the slide pack accompanying this memo.
27. If the Minister would like to proceed with the introduction of a new development capacity metric over the short-term, then we currently consider that a quantity-based approach (such as Housing Growth Targets) is the most viable mechanism to deliver in the short-term, given the substantial technical and policy work that would be required to deliver a price indicator-based approach to triggering the release of development capacity. In particular, if he would like to introduce development capacity requirements in legislation this year then it will not be possible to develop a price



indicator-based approach in the time available, given the need for policy decisions in the next few weeks.

The resource management reform process presents an opportunity to develop a more responsive planning system

28. We do, however, think it is important to continue work on developing a planning system that is much more responsive. In particular, we think there is merit in undertaking work to make it substantially faster to rezone land for housing than the current processes available under the RMA.
29. However, because of the degree of change that would be required, and because of the work that is underway to develop a new resource management system, we have recommended that this work take place as part of Phase Three of the resource management reforms.
30. We also think there is merit in continuing to explore price indicators as a mechanism for triggering the release of development capacity.
31. In parallel to this policy development, the Housing Technical Working Group will continue its work on price indicators as a diagnostic tool for housing markets, and will provide a report to the Minister in the coming months (see related paper on Land Efficiency Indicators).

Either approach to high-level development capacity requirements needs to be accompanied by other interventions

32. Regardless of the Minister's preferred approach to setting overall development capacity requirements, those overall requirements will ideally be complemented by other measures. This is because, even if well designed, an overall development capacity metric:
 - a. Will still have information asymmetries between central and local government regarding councils' demand and development capacity modelling assumptions that do not exist to the same extent for more directive requirements (such as the NPS-UD's rules regarding six storey developments).
 - b. Are limited in how far they can go in terms of integrating land-use planning and infrastructure planning, funding and financing.
 - c. May not fully compensate for the loss of development capacity associated with making the MDRS optional.
33. Complementary measures that we recommend include NPS-UD improvements (such as reducing the ability of councils to avoid upzoning due to 'special character' – to be discussed in workshop 3), addressing development-limiting covenants, infrastructure funding and financing improvements, and alternative minimum density requirements to reflect the MDRS becoming optional.



Briefing

GOING FOR HOUSING GROWTH: INFRASTRUCTURE FUNDING SETTINGS - INITIAL ADVICE			
Date	14 March 2024	Priority	Medium
Tracking number	HUD2024-003640 / LG20240731		

ACTION SOUGHT FROM MINISTER(S)		
Minister	Action sought	Deadline
Hon Chris Bishop Minister of Housing Minister for Infrastructure	Agree to the objectives and scope for this workstream	25 March 2024
Hon Simeon Brown Minister of Local Government	Agree to the objectives and scope for this workstream	25 March 2024
cc. Simon Court Parliamentary Under-Secretary to the Minister for Infrastructure	For your information	

CONTACT FOR DISCUSSION			
Name	Position	Telephone	1st contact
Hilary Joy	General Manager, System Policy, HUD	s 9(2)(a)	✓
Richard Ward	General Manager, Policy and Operations, DIA	s 9(2)(a)	

OTHER AGENCIES CONSULTED
The Treasury, the Ministry of Transport (MoT), the New Zealand Infrastructure Commission, the Ministry for the Environment (MfE), Te Arawhiti, Te Puni Kōkiri, the Department of Corrections, the Ministry of Education (MOE), Health New Zealand, and Land Information New Zealand (LINZ)

Date returned to HUD: CLICK HERE TO ENTER A DATE.
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Briefing

GOING FOR HOUSING GROWTH: INFRASTRUCTURE FUNDING SETTINGS - INITIAL ADVICE			
Minister(s) receiving	Hon Chris Bishop, Minister of Housing, Minister for Infrastructure Hon Simeon Brown, Minister of Local Government cc. Simon Court, Parliamentary Under-Secretary to the Minister for Infrastructure		
Date	14 March 2024	Priority	Medium
Tracking number	HUD2024-003640 / LG20240731		

Purpose

1. To confirm the objectives and scope for the Going for Housing Growth workstream on new rules for infrastructure funding in greenfield developments.

Executive summary

2. The Going for Housing Growth programme consists of three elements:
 - a. freeing up land for development and removing unnecessary planning barriers
 - b. improving infrastructure funding and financing, and
 - c. providing incentives for communities and councils to support growth.
3. This advice falls under the second element but will play an important role in supporting the first and third.
4. Advice on 2 February 2024 to the Minister of Housing on sequencing the Going for Housing Growth work programme (HUD2023-003454 refers) recommended that the workstream on new rules for infrastructure funding in greenfield developments (referred to as 'infrastructure funding settings') be jointly led by the Ministry of Housing and Urban Development (HUD) and the Department of Internal Affairs (DIA).
5. We are now seeking your agreement to the objectives, scope and process for developing infrastructure funding settings, so that we can provide advice on relevant policy options in August 2024.
6. To ensure councils can better fund infrastructure that is necessary for growth, we recommend that work on infrastructure settings should focus on achieving the following primary objectives:



- a. enabling the growth-related costs of infrastructure to be better recovered from developers (or owners of new houses) by providing adequate funding and financing tools;
 - b. improving incentives to zone land for additional housing and invest in infrastructure to facilitate additional housing supply;
 - c. improving incentives to develop land in the near term instead of 'land banking'; and
 - d. encouraging development that makes efficient use of infrastructure.
7. In terms of the scope of this workstream, we recommend you direct HUD and DIA to consider:
 - a. s 9(2)(f)(iv) [REDACTED]
 - b. s 9(2)(f)(iv) [REDACTED]
 - c. any new or amended funding and financing tools, including changes to development contributions; and
 - d. any other changes needed to address existing issues with current funding and financing tools, including, s 9(2)(f)(iv) [REDACTED]
 - e. a broad scope of options for directing councils to fund growth infrastructure from rates and levies applied to new development.
8. This proposed scope will allow officials to consider the breadth of issues and options relevant to ensuring infrastructure for new development is funded from rates and levies applied to the new development.
9. Note, achieving the objectives for this workstream will also rely on a consistent approach to funding for growth infrastructure from both councils and central government.
10. We seek your approval to carry out targeted testing between March to July with council subject matter experts, development sector stakeholders, iwi, hapū and Māori, and the Local Government Funding Agency on our understanding of existing problems, and potential policy options to address them. Targeted testing will be critical for providing rigorous advice on policy options. We propose that targeted testing covers the following:
 - a. *council subject matter experts* – to understand problems with existing infrastructure funding tools, and to ensure any policy options are workable from their experience of planning, funding and delivering growth infrastructure;
 - b. *development sector stakeholders* – to understand the impact of policy options on development feasibility, improving incentives to develop land in the near term instead of 'land banking', and reducing complexity for developers;



- c. *iwi, hapū and Māori* - to understand the implications of any proposed infrastructure settings changes for Māori housing. s 9(2)(f)(iv)
- d. *the Local Government Funding Agency* – to understand how policy options could improve councils' ability to borrow through the Local Government Funding Agency.
11. Following analysis and targeted testing, we will provide you with advice on policy options in August 2024.
12. We also seek a decision on whether you intend to undertake public consultation between August 2024 and introduction of legislation for changes to infrastructure funding settings (following targeted testing and advice on policy options).
13. Although public consultation could improve our understanding of existing problems and the impacts of policy options, it is not clear whether this will be a significant improvement over information gained through targeted testing (assuming that targeted testing covers a representative sample of stakeholder views and interests). Undertaking public consultation would increase timeframes for delivering legislation, which could see legislation considered by select committee while local government is going through an electoral process. As such, public consultation is not recommended.

RECOMMENDED ACTIONS

14. It is recommended that you:
- i. **Agree** that the primary objectives of infrastructure funding settings are: *Agree/Disagree*
- a. enabling the growth-related costs of infrastructure to be better recovered from developers (or owners of new houses) by providing adequate funding and financing tools;
- b. improving incentives to zone land for additional housing and invest in infrastructure to facilitate additional housing supply;
- c. improving incentives to develop land in the near-term instead of 'land banking'; and
- d. encouraging development that makes efficient use of infrastructure.



- ii. **Agree** that HUD and DIA should consider the following matters as they develop policy on how infrastructure for new development should be funded from rates and levies applied to the new development:
- a. s 9(2)(f)(iv) *Agree / Disagree*
- b. s 9(2)(f)(iv) *Agree / Disagree*
- c. any new or amended funding and financing tools, including changes to development contributions; *Agree/Disagree*
- d. any other changes to address existing issues with funding and financing tools, s 9(2)(f)(iv) *Agree / Disagree*
- e. a broad scope of options for directing councils to fund growth infrastructure from rates and levies applied to new development. *Agree / Disagree*
- iii. **Agree** HUD and DIA will undertake targeted testing (as described in paragraph 10) with council subject matter experts, development sector stakeholders, iwi, hapū and Māori, and the Local Government Funding Agency from March to July 2024. *Agree/Disagree*
- iv. **Direct** HUD and DIA to provide advice in August 2024 on policy options. *Yes / No*
- v. **Either:**
- a. agree not to undertake public consultation prior to introducing legislation for any changes to infrastructure funding settings (recommended); or *Agree / Disagree*
- b. agree to undertake public consultation between August 2024 and introduction of legislation for changes to infrastructure funding settings. *Agree / Disagree*



Hilary Joy
**General Manager, System
Policy, HUD**
...07.. / ..03.... / ..24....

Richard Ward
**General Manager Policy
and Operations, DIA**
..08... / ..03.... / ..24....

Hon Chris Bishop
Minister of Housing
..... / /

Hon Simeon Brown
**Minister of Local
Government**
..... / /

Background

15. The Going for Housing Growth programme consists of three elements:
 - a. freeing up land for development and removing unnecessary planning barriers
 - b. improving infrastructure funding and financing, and
 - c. providing incentives for communities and councils to support growth.
16. This advice falls under the second element but will play an important role in supporting the first and third.
17. This workstream will also deliver on the manifesto commitment to explore whether there is merit in standardising the methodology that local authorities can use when charging development contributions.
18. Advice from HUD to the Minister of Housing on 2 February 2024 (HUD2023-003454 refers) recommended that the workstream on new rules for infrastructure funding in greenfield developments (referred to as 'infrastructure funding settings') be jointly led by HUD and DIA.
19. Annex A sets out the proposed Going for Housing Growth work programme timeline.
20. We are now seeking your agreement to the objectives, scope and process for developing infrastructure funding settings. We intend to provide advice on relevant policy options in August 2024.



We have outlined proposed objectives for this workstream

21. To ensure councils can better fund infrastructure that is necessary for growth we propose that work on infrastructure funding settings focuses on the following primary objectives:
- a. enabling the growth-related costs¹ of infrastructure to be better recovered from developers (or owners of new houses) by providing adequate funding and financing tools;
 - b. improving incentives to zone land for housing and invest in infrastructure to facilitate additional housing supply - as growth-related infrastructure costs are better recovered from developers (or owners of new houses), reducing financial impacts on council balance sheets;
 - c. improving incentives to develop land in the nearterm instead of 'land banking', as the prospect of subsidised infrastructure is removed;² and
 - d. encouraging development that makes efficient use of infrastructure (funding and financing tools can incentivise development to occur in low-cost locations, for example, by charging developers (or owners of new houses) the true cost of infrastructure).
22. We propose the following secondary objectives are also used to guide work on policy options:
- a. providing developers with certainty on how much they'll need to pay for growth infrastructure before commencing development;
 - b. providing councils with certainty on the income they will receive from development contributions, which will enhance councils' ability to borrow against that income;
 - c. minimising the cost, complexity, and litigation risk of administering tools which recover costs from developers (or owners of new houses);
 - d. ensuring settings can deliver neighbourhoods and developments with adequate transport, water services, and community infrastructure; and

¹ Non-growth related costs of infrastructure, including maintenance and renewals and improvements to levels of service will continue to be funded through other mechanisms, including rates, user charges and the National Land Transport Fund.

² While the primary incentive for developers and landowners to landbank is higher land prices in the future, developers and landowners can also be incentivised to land bank where there is a prospect of subsidised infrastructure. In addition, if settings requiring better cost recovery of infrastructure are sufficiently understood and enduring, then developers should factor the additional costs into the price they pay for land, reducing the likelihood of high land appreciation, reducing incentives to landbank.



- e. giving effect to the Crown's responsibilities under Te Tiriti o Waitangi, by considering the implications of any proposed infrastructure settings changes for Māori housing.³
- 23. There will be trade-offs between the objectives outlined above in paragraphs 21 and 22 (e.g. an option that encourages development in the right places may not be successful in minimising complexity). We will assess how different options perform against the above objectives, and aim to identify options that perform well against all objectives.

We seek confirmation of the scope of matters to consider when developing advice on policy options

- 24. We have outlined four key questions to clarify the scope of options.

Scope question #1: Which infrastructure costs should we consider?

- 25. New development creates demand for various types of infrastructure. That demand can occur both in the immediate vicinity of a new development and wider parts of a network (e.g. a wastewater treatment plant or arterial roads). Table One outlines which aspects of infrastructure we recommend are in-scope for further analysis versus out-of-scope.

s 9(2)(f)(iv)



s 9(2)(f)(iv)



26. **We recommend considering the following as ‘in-scope’ as we analyse policy options:**

- a. s 9(2)(f)(iv) 
- b.
- c.
- d.

27. For these types of infrastructure, it will be necessary to consider both upgrades both in the vicinity of a new development and to the wider network.

28. We will only consider options for developers (or owners of new houses) to meet the costs of infrastructure upgrades to support ‘growth’, rather than contributing to funding for ‘renewals’ of existing infrastructure, or upgrades to improve ‘levels of service’ for existing households.

29. s 9(2)(f)(iv) 

- a. s 9(2)(f)(iv) 



b. s 9(2)(f)(iv)

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

s 9(2)(f)(iv)

s 9(2)(f)(iv)



Scope question #3: What changes to funding and financing tools should we consider?

36. Ensuring that growth-related infrastructure costs are recovered from rates and levies applied to new development will require changes to infrastructure funding and financing tools.
37. There are a number of existing tools for developers (or owners of new houses) to contribute funding to infrastructure – including infrastructure levies under the Infrastructure Funding and Financing Act (IFF Act), development contributions, targeted rates, service connection charges, financial contributions, and infrastructure growth charges.⁷ However, the current legislative settings do not enable the cost of growth infrastructure to be recovered from rates and levies applied to new development at a level that incentivises councils to zone land for additional housing.
38. Development contributions enable councils to recover some infrastructure costs where there is a clear link between housing development in a specific area and infrastructure upgrades required. But where zoning enables growth in multiple locations, for example to meet 30 year housing growth targets, there is uncertainty around where and when development will occur, making it difficult to plan infrastructure upgrades that have a clear link with specific developments. Councils are clear that the current tools do not enable them to recover the cost of growth infrastructure, and verifying this will be the first step in developing options.
39. There are a range of options for improving existing tools, or introducing new tools that could better enable the growth-related costs of infrastructure to be recovered from rates and levies applied to new developments, including:

s 9(2)(f)(iv)

⁷ Infrastructure growth charges are charged by Watercare in Auckland.



s 9(2)(f)(iv)

40. **We recommend considering any new or amended funding and financing tools that could be used to ensure the growth-related costs of infrastructure are recovered from rates and levies applied to a new development.**
41. We also plan to assess how policy options could address other existing issues with current funding and financing tools. This could include:

s 9(2)(f)(iv)

42. Another key issue is that neither the Local Government Funding Agency, nor the rating agencies, take account of development contribution income in assessing debt to income ratios and credit ratings of councils. Therefore, we plan to explore whether changes to regulatory design could overcome this limitation, which would lift council borrowing limits.

Scope question #4: How should we require councils to fund growth-related costs of infrastructure from rates and levies applied to new developments?

43. The Government's policy, as outlined in the election manifesto, is "to require councils to declare that infrastructure for new greenfield development will be funded from rates and levies applied to the new development, instead of being subsidised by other communities." The current local government funding system gives councils wide discretion about how they apply the funding tools available to them. Under current legislative settings, central government cannot direct local authorities to use the available funding tools in particular ways, and there are no systems in place to monitor their use.

44. s 9(2)(f)(iv)



45. **We recommend considering a broad scope of options for directing councils to fund growth infrastructure from rates and levies applied to new development.**
46. Given the significance of water services infrastructure to greenfields development, we will consider and advise on the linkages to the Government's Local Water Done Well policies.

s 9(2)(f)(iv)

Achieving the proposed objectives will depend on a consistent approach being applied to central government funding

51. Achieving the objectives for this workstream will rely on a consistent approach to funding for growth infrastructure from both councils and central government. [REDACTED]

s 9(2)(f)(iv)

s 9(2)(f)(iv)



52. There will also be circumstances where new or upgraded infrastructure is needed to cater for growth and other important factors like travel time savings, resilience, and emission reductions. We will work with partner agencies to understand the implications of such circumstances on the objective of better recovering the cost of growth infrastructure from developers (or owners of new houses).
53. We will undertake further work with relevant government agencies on how central government funding approaches can support the objectives of this workstream. This will include managing links with the National Land Transport Programme (led by the New Zealand Transport Agency), and City and Regional Deals (led by DIA).

We will also need to coordinate with other policy work areas

54. Annex A outlines how the Going for Housing Growth work programme will be sequenced to manage dependencies between workstreams. For the infrastructure funding settings workstream, we will focus closely on links with the IFF Act, work on value capture, Local Water Done Well and City and Regional Deals. Annex B outlines in more detail the links between this workstream and other relevant work underway.

Approach to testing policy with stakeholders and iwi, hapū and Māori and public consultation

55. We will test policy analysis with the Going for Housing Growth Expert Advisory Group.
56. **We also seek your approval for targeted testing with councils, stakeholders, and iwi, hapū and Māori, on our understanding of existing problems and policy options to address them.**
57. Targeted testing will be critical for providing rigorous advice on policy options. We propose that targeted testing covers the following:
 - a. *Council subject matter experts* – to understand problems with existing infrastructure funding tools, and to ensure any policy options are workable from their experience of planning, funding and delivering growth infrastructure.
 - b. *Development sector stakeholders* – to understand the impact of policy options on development feasibility, improving incentives to develop land in the near-term instead of ‘land banking’, and reducing complexity for developers.
 - c. *Iwi, hapū and Māori*¹⁰ - to understand the implications of any proposed infrastructure settings changes for Māori housing. s 9(2)(f)(iv)

¹⁰ Including Post-Settlement Governance Entities urban Māori authorities, representatives of Māori land trusts (and Te Tumu Paeroa) and other relevant Māori voices.



- d. *The Local Government Funding Agency* – to understand how policy options could improve councils' ability to borrow through the Local Government Funding Agency.
58. Following analysis and targeted testing, we will provide you with advice on policy options in August 2024.
59. **We seek a decision on whether you intend to undertake public consultation between August 2024 and introduction of legislation for changes to infrastructure funding settings.**
60. Although public consultation could improve our understanding of existing problems and the impacts of policy options, it is not clear whether this will be a significant improvement over information gained through targeted testing (assuming that targeted testing covers a representative sample of stakeholder views and interests). Undertaking public consultation would lead to longer timeframes for delivering legislation and on-the-ground changes to funding from developers. Annex E sets out indicative timetables (one without public consultation, and one with public consultation).¹¹
61. The indicative timeframes indicate legislation will be introduced June 2025 without public consultation, or August 2025 with public consultation. Local government elections will be held in October 2025, and the sector may have severely constrained ability to make submissions from early September. An earlier introduction of legislation would result in a more constructive select committee process. For these reasons we therefore recommend targeted testing only.
62. Ensuring growth-related infrastructure costs are better recovered from rates and levies applied to the new development will require legislative amendments to provide suitable funding and financing tools and for directing and monitoring councils. We recommend any legislative changes for infrastructure funding settings should be passed by mid-2026. This will enable new settings to be implemented through council long-term plans in 2027.

Risks

63. **Uncertainty about infrastructure funding settings may affect stakeholder feedback on Housing Growth Targets and councils' implementation of Housing Growth Targets.** Timeframes for work on Housing Growth Targets have not yet been confirmed. However, we expect that policy on infrastructure funding settings will still be in development when stakeholders are providing feedback on Housing Growth Targets (either through targeted testing, public consultation, or select committee submissions).

¹¹ Note: these differ from the initial estimates provided in the overall work programme timeline (Annex A). Following decisions on this briefing, we will update the timeline.



64. s 9(2)(f)(iv)
65. We also plan to have legislation on infrastructure funding settings introduced in 2025, which will provide councils with greater certainty about infrastructure funding settings to inform plan changes to implement Housing Growth Targets.
66. **Changes to infrastructure funding settings may require significant updates to council policies and plans.** These might include councils' long-term plans, revenue and financing policies, policy on development contributions, infrastructure strategies, and financial strategies. We are aiming for any legislative changes to infrastructure funding settings to be in place in time for changes to be implemented as part of 2027-2037 long-term plans, avoiding the need for out-of-cycle changes for councils to plans and policies.
67. **Local Water Done Well and Housing Growth targets will have a significant impact on local government infrastructure planning and will need to be closely aligned with this work. Local government electoral cycles will also need to be taken into account.** Local authorities will need to understand the impacts of Local Water Done Well and Housing Growth Targets on their operating environment. However, local government elections are in October 2025. From early September 2025 to April 2026 local authorities therefore may be severely constrained in their ability to make submissions or engage in consultation. We will work with relevant teams on close alignment and coordination between these programmes to ensure effective policy outcomes and have set workstream timeframes to take local authority elections into account, and will monitor delivery against those timeframes.

Consultation

68. The Treasury, the Ministry of Transport (MoT), the New Zealand Infrastructure Commission, the Ministry for the Environment (MfE), Te Arawhiti, Te Puni Kōkiri, Corrections, the Ministry of Education (MOE), Health New Zealand, and Land Information New Zealand (LINZ) have been consulted on this briefing.
69. As this work progresses HUD and DIA will continue to consult with agencies that have a particular interest or relevant expertise to contribute to this work.

Next steps

70. Next steps for infrastructure funding settings are:
- March-July 2024** – Targeted testing with council subject matter experts, iwi, hapū and Māori, development sector stakeholders and the Local Government Funding Agency.



b. **August 2024** – HUD/DIA advice on policy options.

71. These timeframes are based on the objectives and scope of work recommended in this briefing. If we receive any feedback from you that the objectives of scope of work should differ from our recommendations, we will assess impacts on delivery timeframes and provide you with further advice.

Annexes

Annex A: Going for Housing Growth work programme timeline

Annex B: Links between infrastructure funding settings and other priority work underway

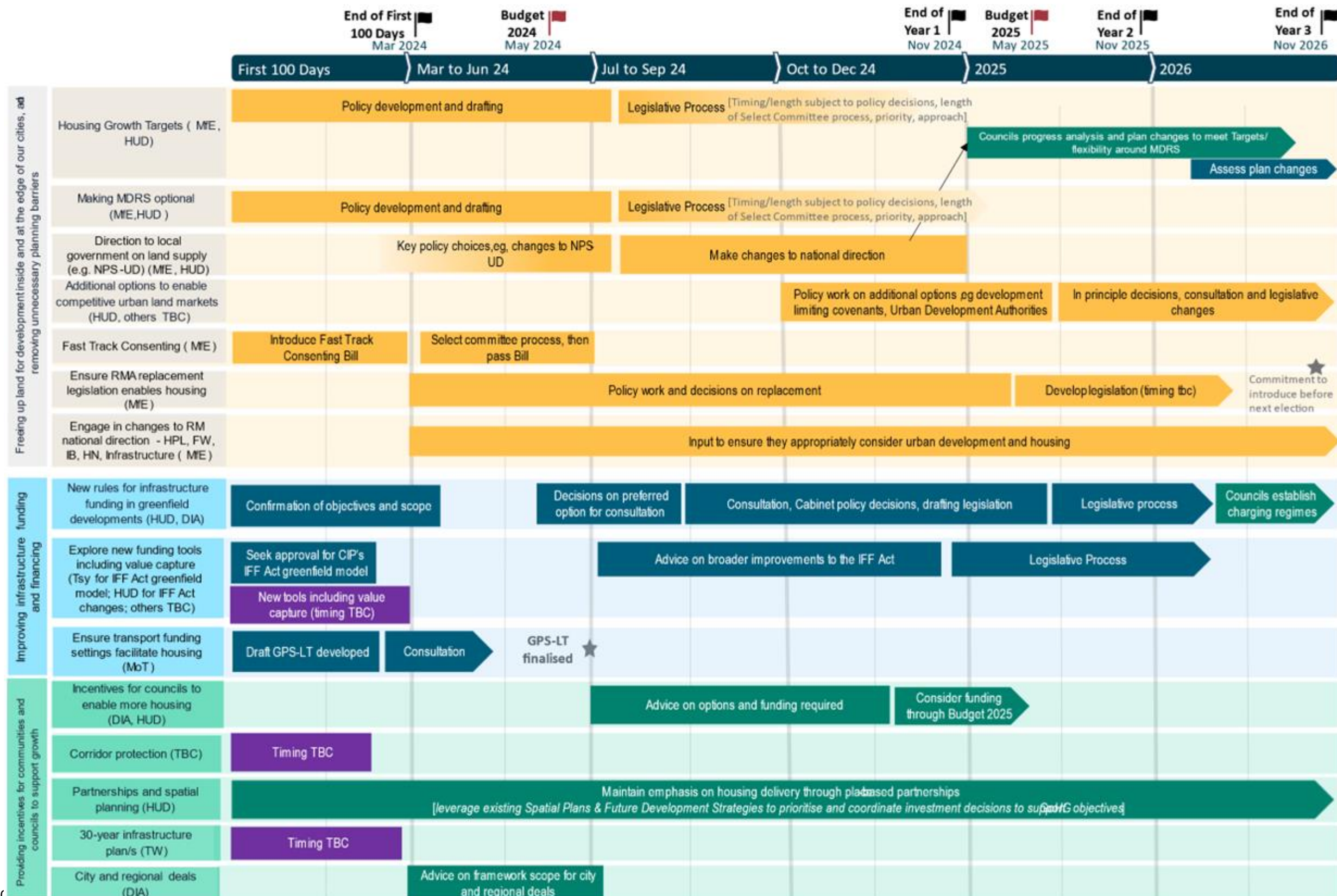
Annex C: Illustration of water services infrastructure networks

Annex D: LGNZ's proposed Ratepayer Financing Scheme

Annex E: Indicative timetable options

Annex A: Going for Housing Growth work programme timeline

Note: The timeframes for 'new rules for infrastructure funding in greenfield developments' were based on a scenario that included public consultation. Following decisions on this briefing, we will update the timeline.





Annex B: Links between infrastructure funding settings and other priority work underway

s 9(2)(f)(iv)

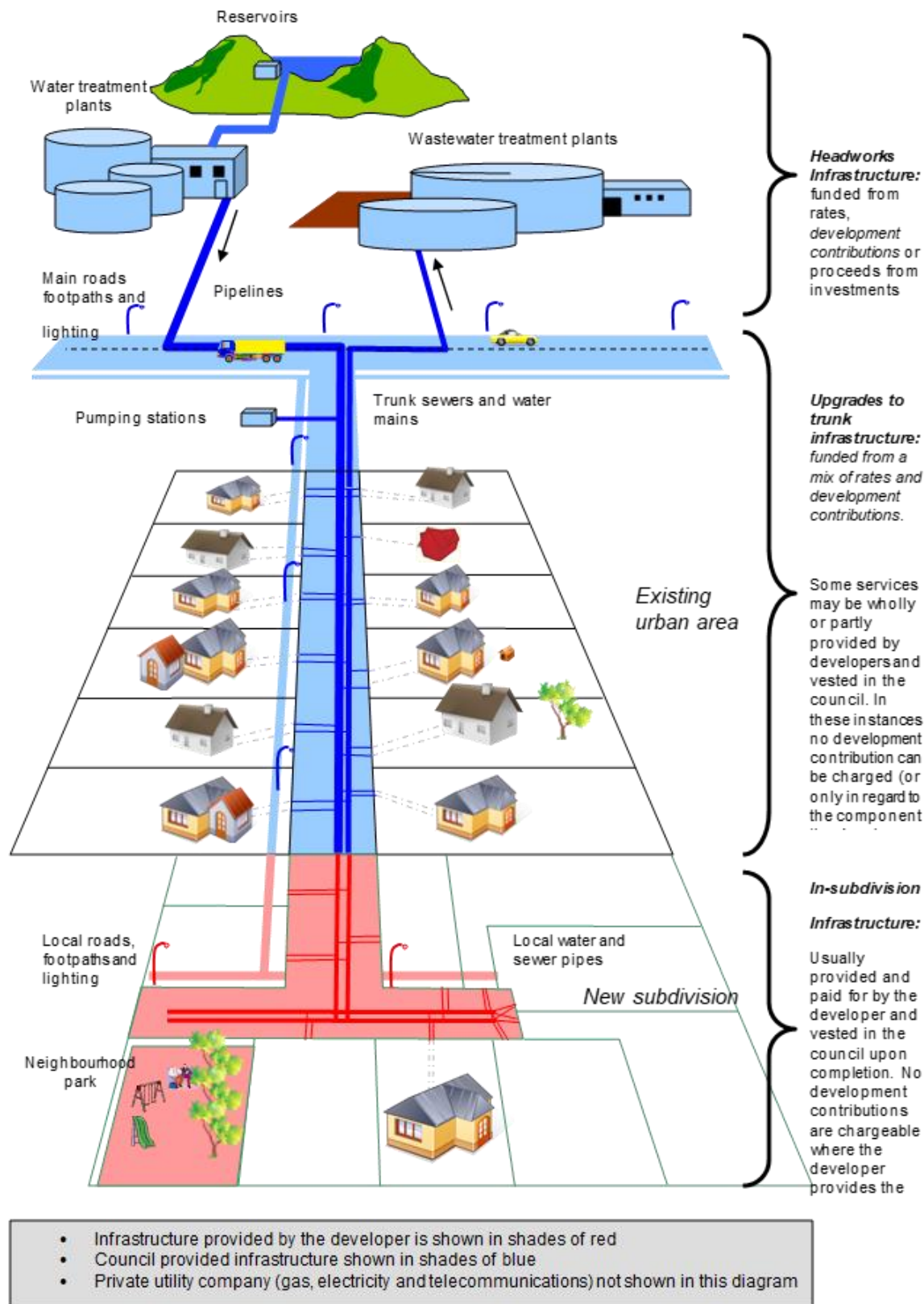
Value capture – The Going for Housing Growth work programme timeline (Annex A) includes a separate workstream on exploring new funding tools, including value capture. Value capture could help to fund some major transport projects, but it may not be applicable for smaller infrastructure upgrades and development opportunities (e.g. because of the administrative complexity around estimating land value uplift and facilitating payments). The impact of live zoning land for development on the viability of applying value capture would also need to be assessed.

Local Water Done Well – DIA-led work on Local Water Done Well will also have implications for infrastructure funding for new developments, including water providers' ability and incentives to require funding from developers or the wider community. Implementation will need to account for the rollout of new settings for financially sustainable water infrastructure Council Controlled Organisations (CCOs). Legislation is currently under development to be introduced later in 2024.

City and Regional Deals – DIA-led work on developing a framework for city and regional deals should also be aligned to the work on infrastructure funding settings to ensure consistency between funding approaches.



Annex C: Illustration of water services infrastructure networks



Annex D: Local Government's proposed Ratepayer Financing Scheme

Local Government has proposed a Ratepayer Financing Scheme (RFS), which would establish a lending agency offering a range of financing options to ratepayers and developers.

Under the scheme, ratepayers and developers could apply for RFS financing to pay charges levied by local authorities, such as rates or development contributions. The RFS would pay local authorities, with property owners paying back the RFS over agreed-upon timeframes. This would assist ratepayers and developers, while keeping the debt 'off-balance sheet' and 'off-credit' for local authorities.

The RFS has potential to incentivise development and disincentivise land banking, through competitive financing of property development and improvement. The RFS would be expected to achieve competitive borrowing terms (either from the LGFA or capital markets), supported by a strong credit rating and rates charge security. Credit rating would be determined by multiple factors including the underlying security, capital structure and "proximity" to Government.

Local Government's RFS proposal currently outlines three products:

- Deferred Development Contributions
- Property Investment Loans
- Rates Postponement Schemes

While all three products have potential benefits, Deferred Development Contributions are most relevant to this project. Local authorities charge development contributions for new developments to contribute to the costs of building the infrastructure that supports them. Development contributions costs are significant and can act as a barrier to small infill developments. Enabling competitive financing of development contributions through the RFS could somewhat lift this barrier.



Annex E: Indicative timetable options

TIMETABLE OPTION 1: TARGETED TESTING ONLY (RECOMMENDED)	TIMETABLE OPTION 2: TARGETED TESTING AND PUBLIC CONSULTATION
Mar – Aug 2024: Policy development and targeted testing (e.g. council experts, property development sector, iwi, hapū and Māori) Aug-Sep 2024: Advice on policy options, detailed policy design Nov 2024: Cabinet policy decisions Nov 2024 – Apr 2025: Legislative drafting Jun 2025: Legislation introduced Mid-2026: Legislation enacted Jul 2027: Councils implement long-term plans 2027-2037, including new infrastructure funding approaches	Mar-May 2024: Policy development and targeted testing (e.g. council experts, iwi, hapū and Māori) Jun 2024: Advice on policy options Aug 2024: Cabinet approval to release a discussion document for public consultation Sep-Oct 2024: Public consultation (including a purpose-built component for Māori consultation) Nov-Dec 2024: Submissions analysis and detailed policy design Feb 2025: Cabinet policy decisions Feb-Jul 2025: Legislative drafting Aug 2025: Legislation introduced Mid-2026: Legislation enacted Jul 2027: Councils implement long-term plans 2027-2037, including new infrastructure funding approaches



Te Tūāpapa Kura Kāinga
Ministry of Housing and Urban Development

Housing Growth Targets

Overview of current policy thinking



Context and current requirements





Context

The National party's Going for Housing Growth manifesto commitment in the 2023 election included a plan to establish Housing Growth Targets (Targets) that require tier 1 and 2 councils to zone land for 30 years' worth of housing demand immediately. This is now government policy under the coalition agreements.

The objectives for this policy include ensuring well-functioning and competitive urban land markets by providing an abundance of development opportunities – reducing upward pressure on housing and land prices and removing regulatory barriers to housing supply.

There are multiple ways to set development capacity requirements (see separate memo). However, this slide pack focuses on quantity-based Targets.





Status quo: capacity provision requirements

The National Policy Statement on Urban Development's (NPS-UD) Policy 2 requires councils to provide sufficient development capacity to meet demand (plus a competitiveness margin) across the short, medium, and long-terms. To be sufficient, development capacity must be plan-enabled, infrastructure-ready, feasible and reasonably expected to be realised (explained on the next slide).

Tier 1 and 2 city/district and regional councils are required to insert housing bottom lines in their district plans and regional policy statements, which represent the minimum level of development capacity provision required to meet forecast demand over the short, medium, and long-terms.

Tier 1 and 2 councils are required to assess their forecast demand and development capacity provision every three years through housing capacity assessments (HCAs). Over the short, medium and long-terms these assess forecast demand for housing and a council's provision of development capacity to meet this demand (ensuring provision of sufficient development capacity).



Status quo: definition of sufficient development capacity

Time horizon	Plan-enabled	Infrastructure-ready	Feasible	Reasonably expected to be realised	Competitiveness margin
Short-term (0-3 years)	Development capacity is on land that is zoned for housing in an operative district plan	There is adequate existing development infrastructure to support the development of the land	Capacity is commercially viable to a developer based on the current relationship between costs and revenue	The amount of plan-enabled, infrastructure-ready and feasible development capacity that a council assesses is likely to be built over the short, medium and long-terms.	Expected demand + 20%
Medium-term (3-10 years)	Either the above applies, or otherwise development capacity is on land that is zoned for housing in a proposed district plan	Either the above applies, or otherwise funding for adequate development infrastructure to support development of the land is identified in a Long-Term Plan			
Long-term (10-30 years)	Either the above applies, or otherwise development capacity is on land identified by for future urban use or urban intensification in a Future Development Strategy (FDS) or any other relevant plan or strategy	Either the above applies, or otherwise the development infrastructure to support the development capacity is identified in the local authority's Infrastructure Strategy (as required as part of its Long-Term Plan)	Capacity is commercially viable to a developer based on the current relationship between costs and revenue, or on any reasonable adjustment to that relationship		Expected demand + 15%

Status quo: intensification requirements

Policy 3 for the NPS-UD requires tier 1 councils to enable:

- As much development capacity as possible in city centres,
- At least six story development within metropolitan centres, and within walkable catchments of city and metropolitan centre zones and rapid transit stops,
- An appropriate level of density within and around neighbourhood, local and town centre zones.

Policy 5 requires tier 2 and 3 councils to enable heights and density commensurate with the greater of the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services; or relative demand for housing and business use in that location.

Tier 1 councils (and Rotorua Lakes at the council's request) are also currently required to adopt the Medium Density Residential Standards (MDRS) which enable development of three dwellings up to three storeys without resource consent as a new minimum baseline in most residential zones within their urban environments.





Targets and MDRS optionality

The Going for Housing Growth manifesto proposes making the MDRS optional for councils. This policy was confirmed in the National-Act Coalition Agreement.

The Minister of Housing has signalled a goal of ensuring that there is no net reduction in development capacity if a council chooses to opt out of the MDRS.

This means that even if a council has more than 30 years of development capacity, it will need to match the level of capacity that would have been provided under the NPS-UD and MDRS if this was higher.

We discuss the implications of this later.





Definition of urban environments

The NPS-UD defines an urban environment as any area of land (regardless of size, and irrespective of local authority or statistical boundaries) that:

- a) is, or is intended to be, predominantly urban in character; and
- b) is, or is intended to be, part of a housing and labour market of at least 10,000 people.

In practice, this means that an urban environment is a city or major town and some of its adjacent settlements. The NPS-UD identifies the cities/major towns that form the core of tier 1 and 2 urban environments, but relevant councils have self-identified which satellite towns/settlements are included within these urban environments.



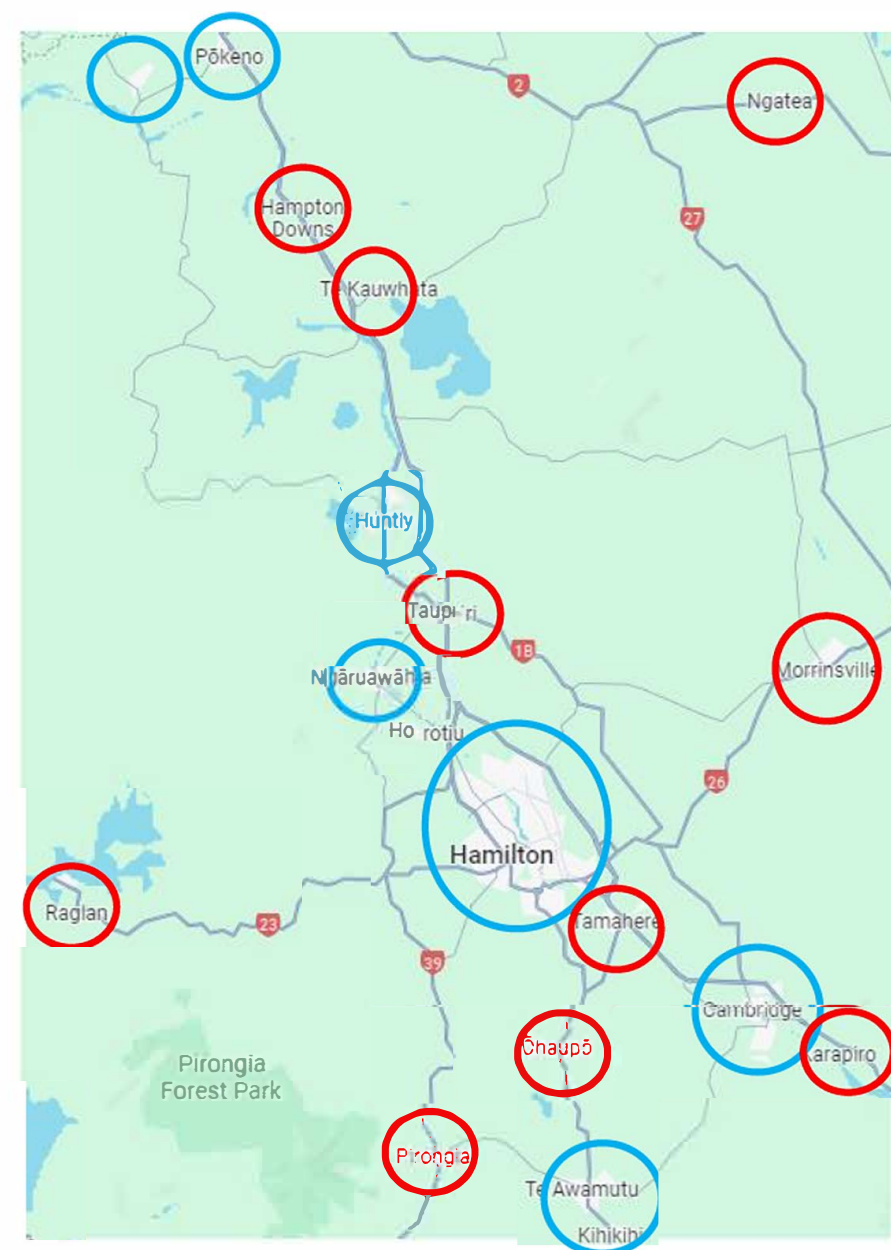


Te Tūāpapa Kura Kāinga
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Visualising urban environments

Settlements/
urban areas
within the
urban
environment

Settlements/
urban areas
outside of
the urban
environment



Greater Hamilton urban environment (as identified by local councils).

Tier 1 and 2 councils

Tier 1 urban environment	Tier 1 local authorities
Auckland	Auckland Council
Hamilton	Waikato Regional Council, Hamilton City Council, Waikato District Council, Waipā District Council
Tauranga	Bay of Plenty Regional Council, Tauranga City Council, Western Bay of Plenty District Council
Wellington	Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kāpiti Coast District Council
Christchurch	Canterbury Regional Council, Christchurch City Council, Selwyn District Council Waimakariri District Council

Tier 2 urban environment	Tier 2 local authorities
Whangārei	Northland Regional Council, Whangarei District Council
Rotorua	Bay of Plenty Regional Council, Rotorua District Council
New Plymouth	Taranaki Regional Council, New Plymouth District Council
Napier Hastings	Hawke's Bay Regional Council, Napier City Council, Hastings District Council
Palmerston North	Manawatū-Whanganui Regional Council, Palmerston North City Council
Nelson Tasman	Nelson City Council, Tasman District Council
Queenstown	Otago Regional Council, Queenstown Lakes District Council
Dunedin	Otago Regional Council, Dunedin City Council



Housing Growth Targets

Current policy thinking

What is wrong with the status quo?

The development capacity requirements of the NPS-UD (and NPS on Urban Development Capacity before this) were a significant step forward in requiring councils to provide development capacity. However:

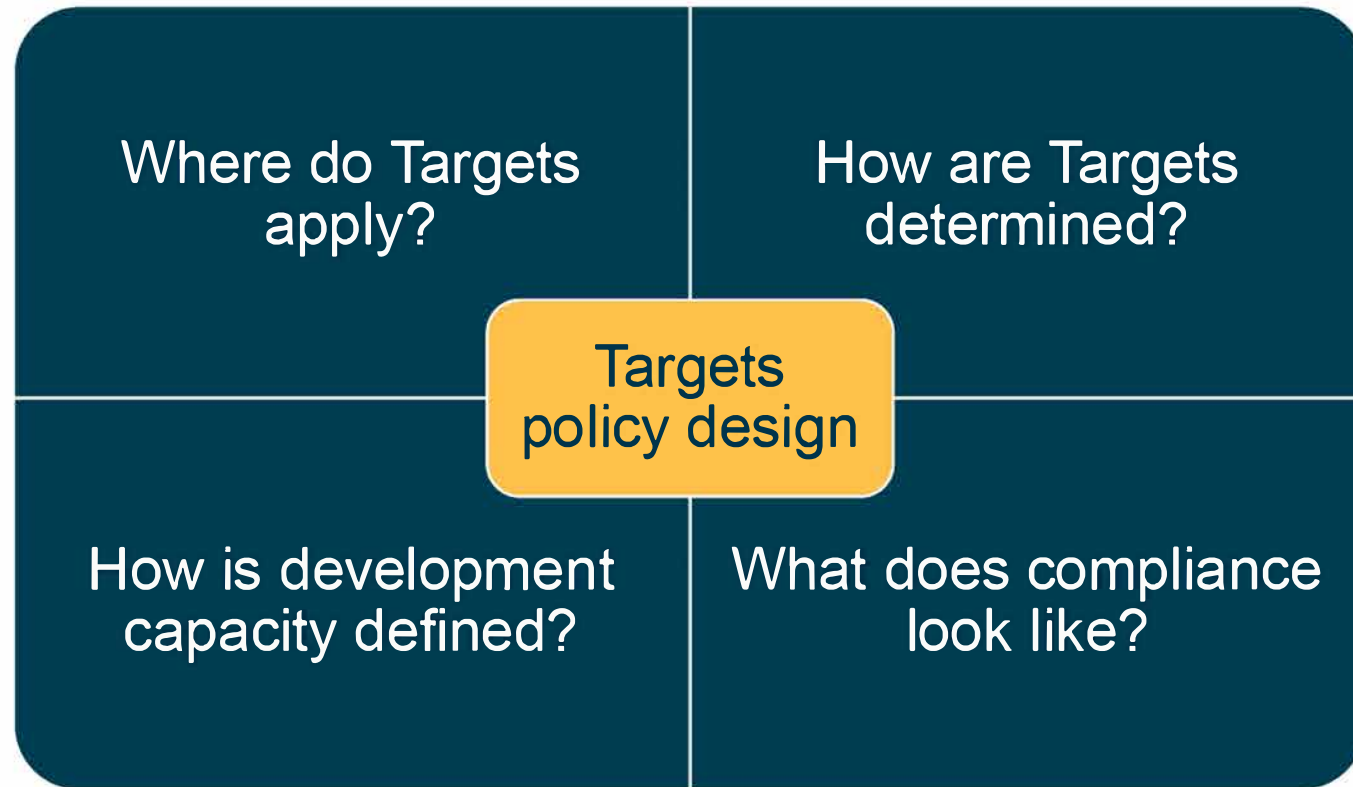
- The Going for Housing Growth manifesto expresses concern that the requirement to only have three years of land live-zoned for housing leads to ‘drip-feeding’ of capacity (in practice other aspects of the NPS-UD and the MDRS result in councils needing to have much more than three years of capacity live-zoned)
- Current discretion provided to councils and lack of transparency can limit central government confidence in the development capacity enabled:
 - Most councils do not currently publish all (or any) of their modelling inputs and assumptions
 - Councils have taken different approaches to how they interpret current requirements, resulting in outputs that are not consistent/are difficult to compare across councils.
 - Currently, councils have discretion to determine which population projections they use to inform capacity requirements, providing the ability to plan for lower levels of population growth than may eventuate
 - Some councils have not fully complied with NPS-UD requirements to date (such as not completing infrastructure-ready assessments)

The design of Housing Growth Targets provides an opportunity to address these issues



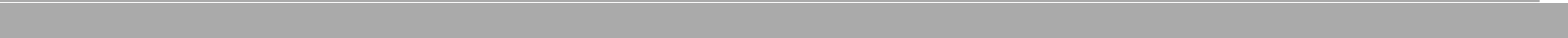
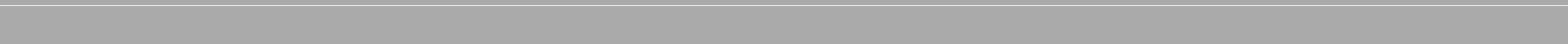
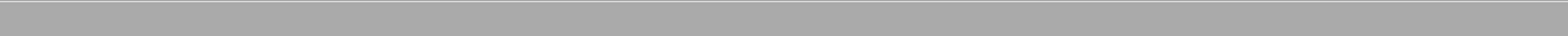


Policy design: key questions



Where do Targets apply?

The Going for Housing Growth manifesto proposes Targets will apply to all tier 1 and 2 councils. s 9(2)(f)(iv)





s 9(2)(f)(iv)



Sufficient capacity by typology and location

The NPS-UD requires councils to provide sufficient capacity to meet demand for housing both in existing and new urban areas, and for both standalone and attached dwellings. We are proposing to carry over this requirement.

We are proposing to strengthen this by;

- Reverting to the original wording of Policy 3(d) in the NPS-UD, which required upzoning in all other locations in the tier 1 urban environment, building heights and density of urban form commensurate with the greater of:
 - the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services; or
 - relative demand for housing and business use in that location.

- s 9(2)(f)(iv) [Redacted]

- [Redacted]

[Redacted]



How are Targets determined?

At present, councils have discretion regarding their choice of population projection. This means they can choose low- or medium-growth projections that increase the risk of an under-supply of capacity relative to demand. We think there is a case for standardising the projections councils use.

StatsNZ produces a range of population projections across various growth scenarios, at different levels, and of different types.

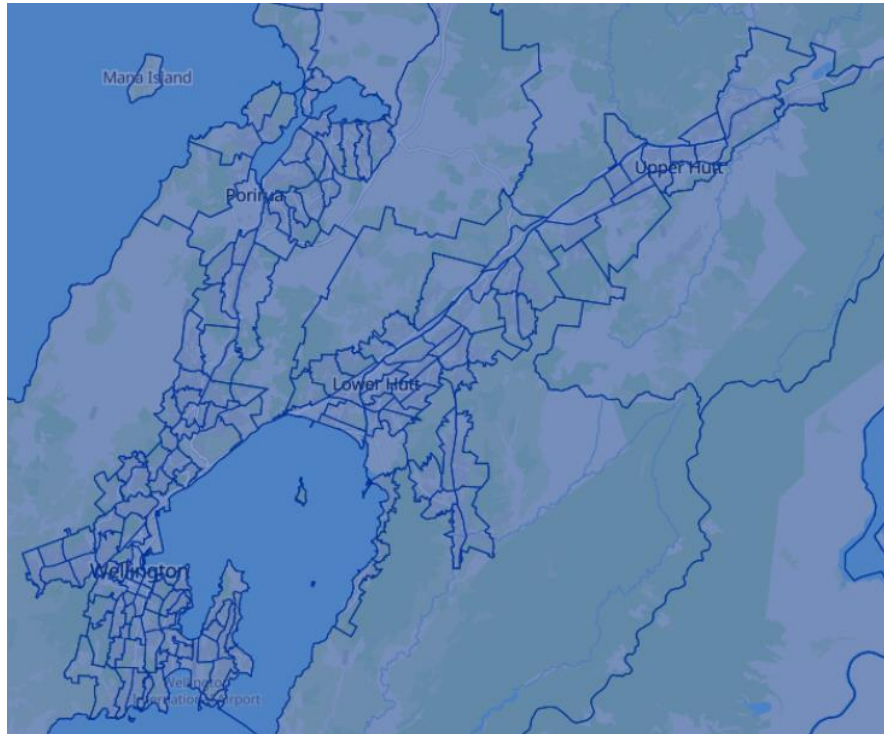
We consider that high-growth scenario projections would best meet the Government's policy intent to ensure councils provide an abundance of development capacity to achieve well-functioning urban land markets and boost housing supply.

s 9(2)(f)(iv)

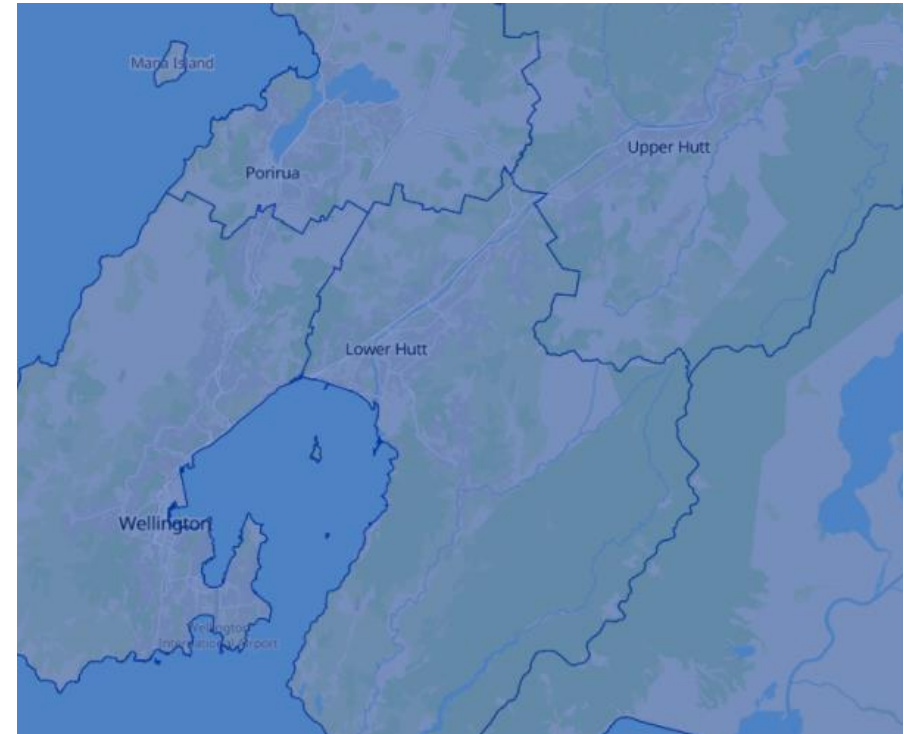




Visualised: SA2 vs subnational projections



SA2



Subnational





Competitiveness margin

The competitiveness margin in the NPS-UD (requiring an additional buffer of 15/20% capacity above projected demand) was intended to support choice and competitiveness (and therefore downward pressure on prices) in housing and business land markets by oversupplying development capacity to support efficient and competitive land and housing markets.

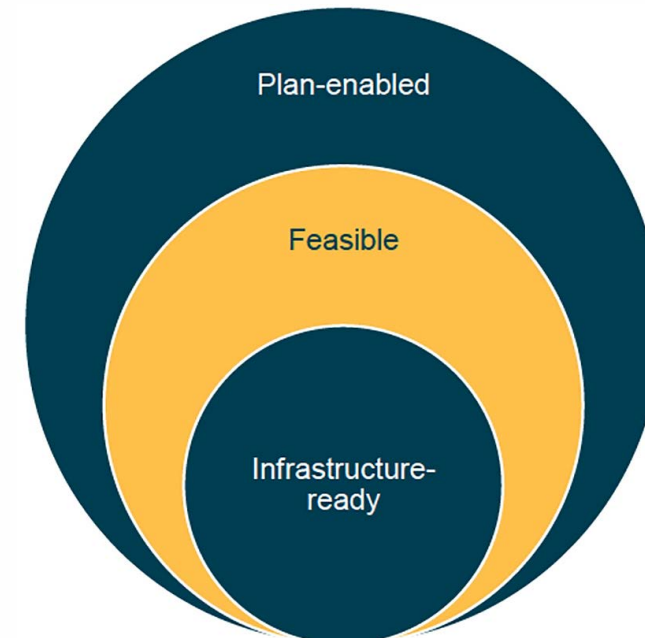
s 9(2)(f)(iv)





How is development capacity defined?

- The definition of development capacity will have a significant impact on what councils need to do to comply with their Targets.
- To count towards Targets, we propose that development capacity needs to be:
 - > Plan-enabled (live zoned)
 - > Feasible
 - > Infrastructure-ready





Plan-enabled

To count towards Targets, development capacity will need to be plan-enabled (live zoned within a district plan). This may also be subject to infrastructure triggers (discussed later).

New technical guidance is needed to ensure best-practice and consistency across councils. In particular, we want to highlight that councils should not report plan-enabled capacity on a site if future housing development is highly unlikely due to qualifying matters that prevent development, land form/slope that makes development unpractical, and existing land uses that are unlikely to change (e.g. schools, churches etc).



Feasibility

Feasible development capacity is plan-enabled capacity that would be profitable for a developer to build (i.e. supported with favourable development economics).

Feasibility modelling is an existing NPS-UD requirement that helps councils understand how much of their plan-enabled capacity could be delivered, and where this is located. It is important that feasibility is included in the definition of development capacity for complying with Targets, as this will ensure councils cannot conclude that they comply with their Target with capacity that the market could not deliver at a profit.

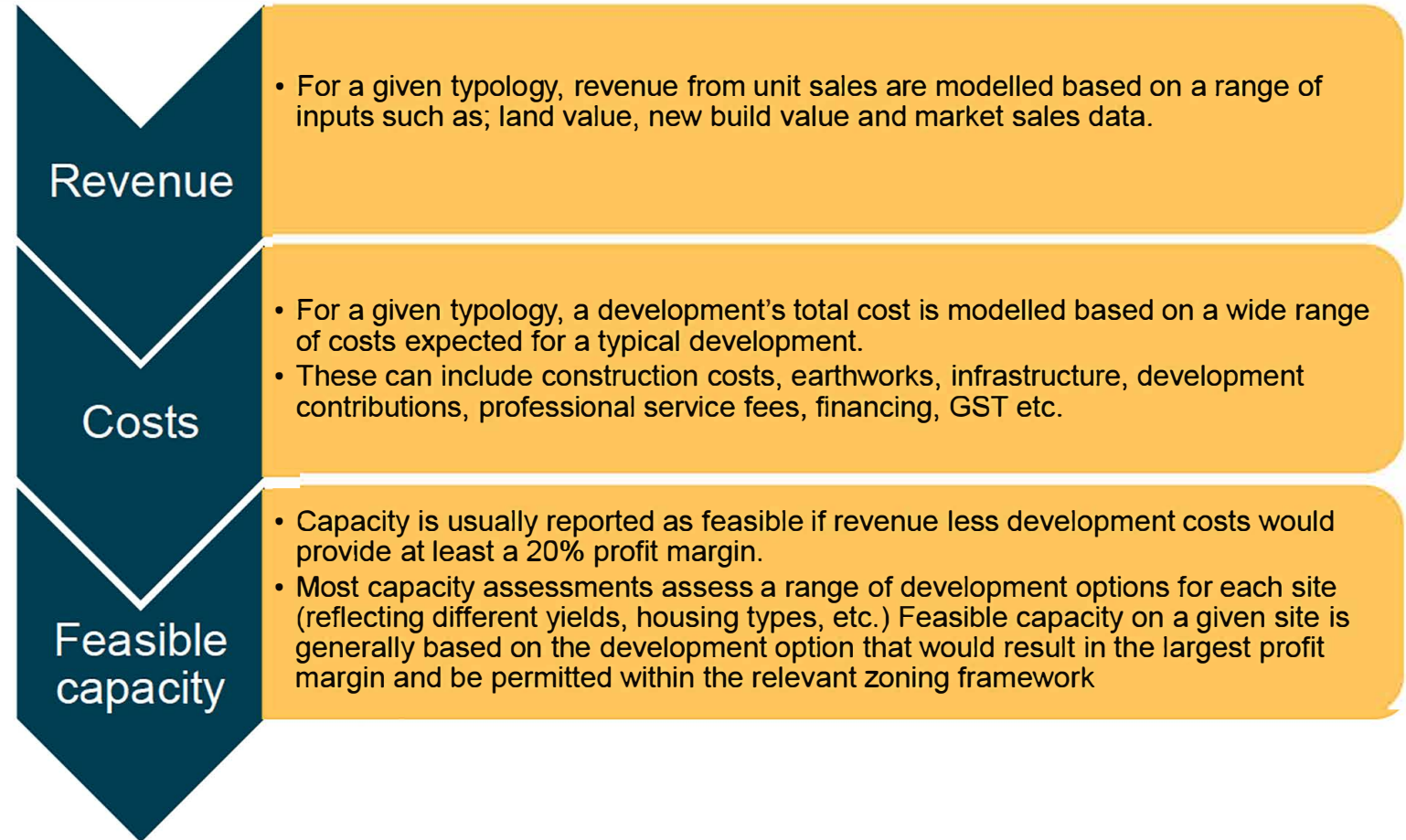
While important, feasibility modelling has some limitations:

- It assesses whether plan-enabled capacity *could* be built by a developer at a profit. However, this does not mean that feasible capacity *would* ever be built (i.e. it may be feasible to build apartments on a brownfield site, but the owners may never want to undertake that development).
- It does not look at cumulative impacts of development on demand and how this would impact feasibility. For example, modelling is based on current market prices but does not consider how much demand would exist for supply at that price. It also does not consider the impacts on prices from increased supply (i.e. lower prices) and what impacts this would have on feasibility.
- Modelling is a highly technical exercise – most councils contract this work out and it's not clear that modelling is consistent across councils, particularly for inputs.



Feasibility modelling: explained

Feasibility modelling assesses whether a developer could make a profit when building plan-enabled capacity on a given site, based on subtracting modelled development costs from modelled sale revenue.



Proposed feasibility modelling changes for Targets

Subject to consultation with councils, we are proposing to:

- Require councils to publish all inputs, assumptions and methodologies behind their feasibility modelling.

- s 9(2)(f)(iv)
[Redacted]
[Redacted]
[Redacted]
[Redacted]
- [Redacted]
[Redacted]





Reasonably expected to be realised modelling

Currently, development capacity needs to not only be plan-enabled and feasible, but also 'reasonably expected to be realised'. This is intended to recognise that not all feasible capacity will be developed in practice, and provide a more realistic assessment of what housing will actually be delivered.

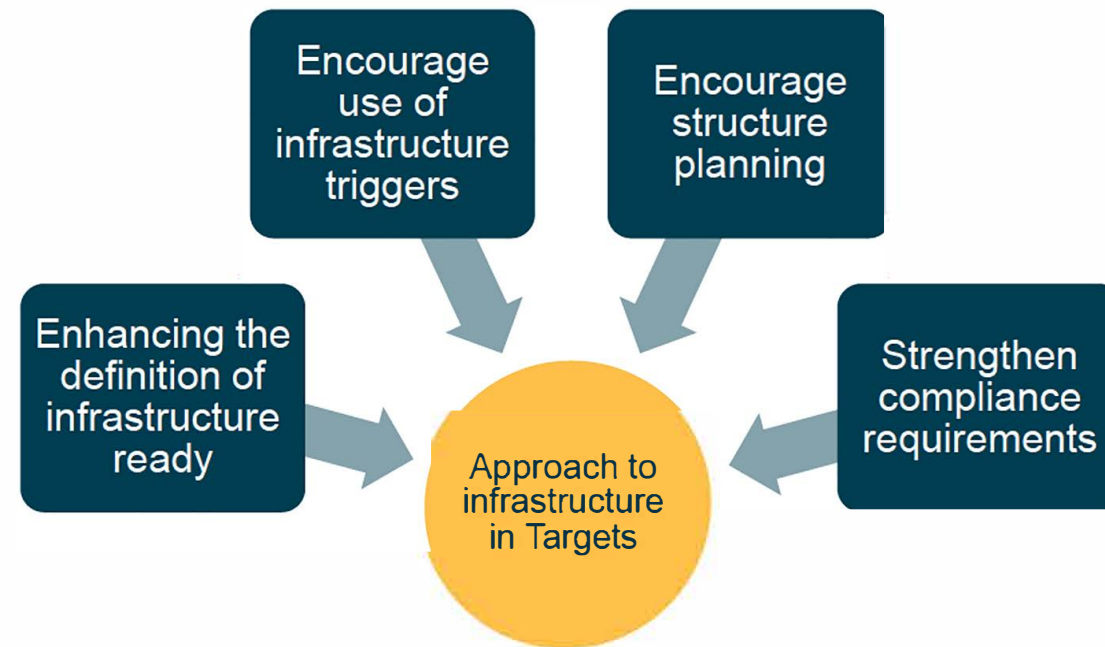
s 9(2)(f)(iv)





Infrastructure

Time horizon	Status quo 'infrastructure-ready' definition
Short-term (0-3 years)	There is adequate existing development infrastructure to support the development of the land
Medium-term (3-10 years)	Either the above applies, or otherwise funding for adequate development infrastructure to support development of the land is identified in a long-term plan
Long-term (10-30 years)	Either the above applies, or otherwise the development infrastructure to support the development capacity is identified in the local authority's infrastructure strategy



Short-term infrastructure requirements

Councils are highly unlikely to currently have sufficient infrastructure capacity available now to service sufficient development capacity for 30 years' worth of demand.

Currently, to comply with the NPS-UD, at least three years of development capacity needs to be serviced by infrastructure 'in the ground'.

In setting the requirement for Housing Growth Targets, there is a key-trade-off between:

- providing sufficient supply or build-ready sites and confidence of future supply, and
- the (significant) cost of providing an over-supply of infrastructure in advance of when it is needed. Even if infrastructure is funded by developers, there can be issues relating to timing and uncertainty of recovery that can significantly impact council finances.

On balance, we propose to retain the current requirement for three years of infrastructure to be 'in the ground' upfront.





Medium-to-long-term infrastructure requirements

- Inclusion of infrastructure to support developments in a Long-Term Plan or Infrastructure Strategy does not guarantee infrastructure will be delivered.
- In future, developers will be required to pay the full growth-share of infrastructure costs. We propose to require this to be factored into feasibility assessments (i.e. developments requiring very expensive infrastructure will generally not be treated as feasible). However, this may still overstate development capacity as trunk infrastructure may service many developments – coordination problems that mean even if a developer's share is feasible, the infrastructure may not ultimately be delivered.
- We have considered removing current medium-to-long-term infrastructure requirements or, alternatively, materially strengthening them so that – for example – councils can only count capacity towards the Targets if associated infrastructure is in place or has been committed.
- However, this would make compliance with Targets likely infeasible for all councils, and may not align more dynamic approach to when and by whom infrastructure is delivered.
- We propose to retain current requirements, but with more flexibility to recognise infrastructure funding that has been committed through development agreements, by central government, or under the Infrastructure Funding and Financing Act 2020.





Assessing infrastructure-ready capacity

Currently, councils take varying approaches to assessing whether development capacity is infrastructure-ready. Not all of these approaches provide confidence in councils' assessments. For example, some councils only assess site-level infrastructure-readiness, not network readiness (e.g. the cumulative impact of development on a network).

s 9(2)(f)(iv)





Infrastructure triggers

Targets would involve live-zoning sufficient capacity for 30 years' worth of demand in the short term, but most (if not all) councils would not have sufficient infrastructure capacity available in the short term to service this capacity. This creates the risk of housing being built where there is inadequate infrastructure. We consider infrastructure triggers could help to mitigate that risk.

Infrastructure triggers limit or prevent plan-enabled capacity on a given site from being developed until sufficient infrastructure is available to service it. These allow councils to rezone land in advance of sufficient infrastructure provision, negating the need for future plan changes following infrastructure delivery.

We do not propose requiring councils to use infrastructure triggers (as the risk of stranded developments can also be mitigated through the Building Act). However, we expect councils are likely to make use of them in practice.

s 9(2)(f)(iv)



Structure planning

Structure plans help to ensure that new developments contribute to well-functioning urban environments by planning and coordinating land uses, open space locations, and infrastructure networks.

Not undertaking structure planning risks infrastructure being disconnected between land parcels (e.g. roads and pipes not connecting between developments), a lack of space for provision of adequate social infrastructure (e.g. schools and parks), poor planning for natural hazard risks, and councils having a less accurate understanding of the feasible capacity that is enabled.

However, structure planning is not necessary for all developments (e.g. if land parcels are small, in aggregated ownership, and/or if the proposed development is sufficiently isolated from effects on the wider network)

We are not proposing to require structure planning. However, in practice, we expect councils will chose to undertake structure planning in most circumstances.

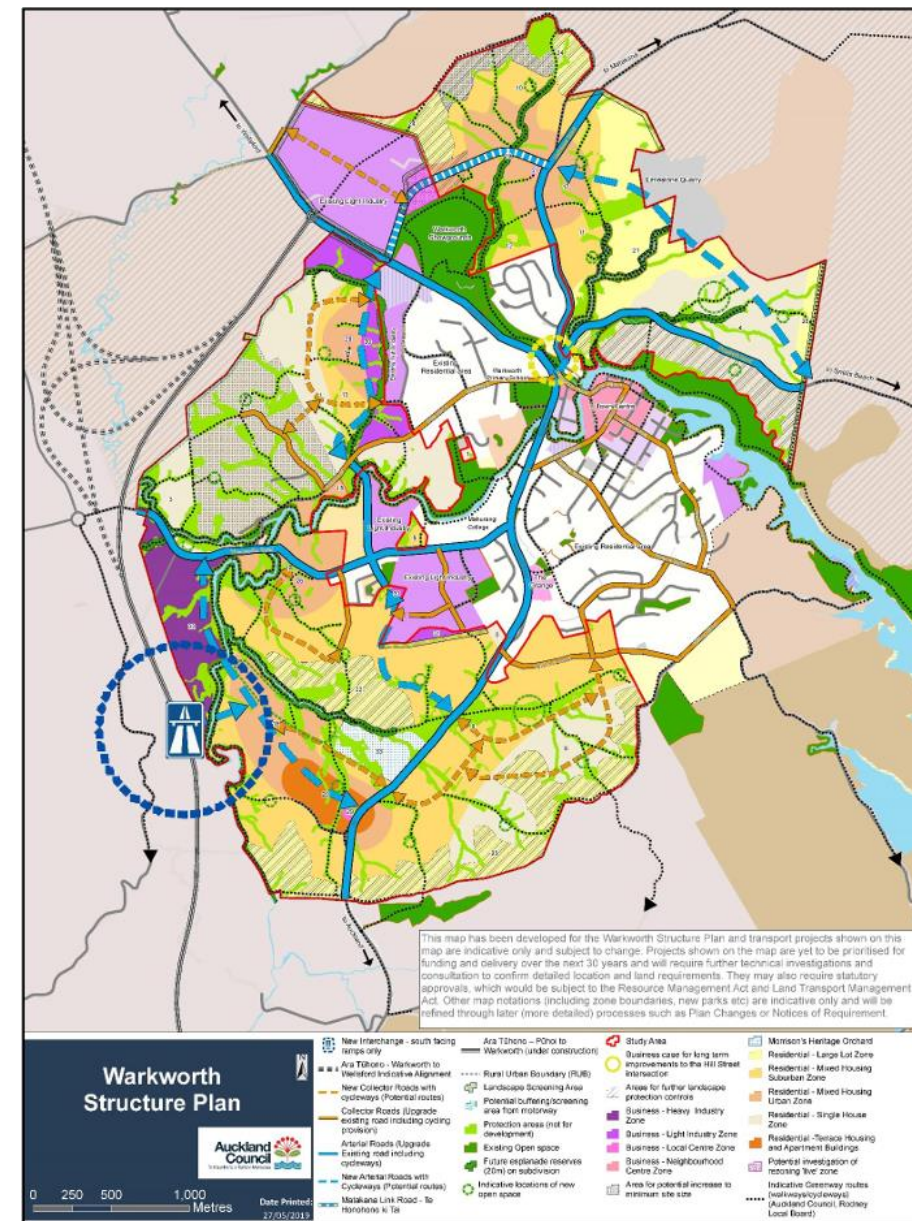


Figure 1: Warkworth Structure Plan – Land use plan



Housing bottom lines

The NPS-UD already requires tier 1 and 2 councils to set housing bottom lines based on their projected demand for housing plus the relevant competitiveness margin, and reflect these in their district plans and regional policy statements.

s 9(2)(f)(iv)

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Development capacity provision and MDRS optionality

As flagged earlier, we are working through how to achieve the Minister's intent that councils that opt out of the MDRS must provide as least as much capacity as they are required to under the current NPS-UD and MDRS. How development capacity is defined for this will have significant implications.

For example, if the requirement was no net reduction in plan-enabled capacity only, councils could offset reduced MDRS capacity with other capacity that is less feasible and/or infrastructure ready than the lost capacity, meaning no net overall reduction but a reduction in capacity that could actually be delivered.

However, if feasible and/or infrastructure-ready capacity is included then this would raise other issues, including:

- As discussed earlier, we are proposing to reform requirements and/or produce new guidance for feasibility modelling and infrastructure-ready assessments. We would need to work through whether councils would need to 're-run' their feasibility or infrastructure-readiness assessments as part of the 'before' and 'after' assessments.
- We would need to decide whether councils could have a net reduction in plan-enabled capacity, if there was no net reduction in feasible and/or infrastructure-ready capacity.

Furthermore, Targets would be a new ongoing requirement in the system, with councils assessing compliance every three years. As population projections change over time, some councils may have smaller Targets than in previous rounds of assessments. In such instances, councils may wish to reduce their development capacity provision while still complying with their Target, if possible (regardless of whether they opt out of the MDRS). We are considering our position on this, but broad policy options are:

- a) Allowing councils to reduce development capacity, provided they comply with all relevant intensification requirements and their Target.
- b) Option A, but councils cannot provide any less capacity than they did under the NPS-UD and MDRS.
- c) Councils cannot reduce development capacity provision, unless due to a qualifying matter such as natural hazards.



How would councils demonstrate compliance?

Councils would demonstrate compliance (or lack thereof) with their Target in an HCA. s 9(2)(f)(iv)

s 9(2)(f)(iv)





Response to council non-compliance

The government's response to council non-compliance will depend on the nature of non-compliance:

- If the government considers that non-compliance is due to factors outside of a council's control, the government may determine no response is required, or may explore options to increase the use of non-market housing policy levers in an area.
- If a council chose not to comply with its Target, the government has a range of powers available under the RMA to address non-compliance, such as appointing or directing a plan change. We are considering whether any new powers are required.





Monitoring and evaluation by councils

The NPS-UD currently requires tier 1, 2 and 3 district/city councils to outline intended development outcomes for each zone within their district plan. Tier 1 councils are required to monitor the extent to which development in each zone is occurring as anticipated by the development outcomes.

s 9(2)(f)(iv)



Housing Expert Advisory Group Workshop #2

Summary

2 May 2024

Attendees

HOUSING EXPERT ADVISORY GROUP	OFFICIALS
• Kevin Counsell • Eric Crampton • Stuart Donovan • Marko Garlick • Malcolm McCracken • Stuart Shepherd	• Lesley Baddon, Auckland Regional lead, Ministry for the Environment • Stephanie Gard'ner, Principal Policy Advisor, Ministry for the Environment • Chris Parker, Principal Policy Advisor, Treasury • Keith Miller, Principal Advisor, DIA • Peter Nunns, Director, Economics, Te Waihanga Infrastructure Commission [joined at 1:24pm] • Arati Waldegrave, PAG Advisor, DPMC • David Hermans, Chief Advisor, Ministry of Housing and Urban Development (HUD) [Facilitator] • Hilary Joy, General Manager System Policy, (HUD) • Fiona McCarthy, Manager Urban Development Enablement, HUD • Jane Keane, Manager, Housing Supply and Affordability • Cam Vannisselroy, Principal Advisor Urban Development Enablement, HUD • David Shamy, Principal Advisor Planning and Infrastructure, HUD

	• Daniel Lawrey, Principal Advisor Housing Supply and Affordability, HUD • Mariona Roige-Valiente, Principal Advisor, System Intelligence, HUD • Jason Haskell, Policy Advisor, HUD
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Item 1: Brief overview and context: including GfHG direction, current development capacity requirements, the capacity being enabled by councils, and issues with current approach

- HUD officials gave a brief overview of the status quo, and outlined what was being discussed in this workshop.

Item 2: The role of land market indicators in land-use policy (including overview and discussion of recent work from the Housing Technical Working Group)

What are the benefits, limitations and considerations of using different indicators (such as rural-urban boundary price differentials, or alternatives) as a market diagnostic tool an/or a trigger for the release of development capacity?

If indicator-based requirements were to be used as a trigger for the release of development capacity then how can policy design be effective, what indicators should be used, how should these be interpreted to draw correct conclusions and what should the policy response to different indicators be?

- The Housing Technical Working Group (HUD, Tsy, RBNZ) research presented by HUD provides a strong analytic basis for measuring the rural urban fringe differential within cities, including in cities other than Auckland. However, there was discussion of some of the limitations, including time lags, and how to control for relative attractiveness of cities to the market.
- Discussion on whether the differential points to a lack of development capacity across the city, or restriction at the boundary. It could be both, but general conclusion that there is high demand due to the ongoing attractiveness of Auckland (for housing, labour, economic activity etc.), and that supply is not catching up to demand.

How can price indicators support a quantity measure?

- Discussion of the practical challenges of price indicators. They need to be understandable and implementable by councils. In practice they have led to lots of argument and disagreement about diagnosis vs prescription. Councils have not responded well to them being used in the past because of this disagreement – the signals are not clear enough.
- General view is better to combine quantity and price triggers in some way. Price indicators could be more useful as contextual information, inputs to calculate the quantity target, or as a backstop (i.e. they can't get worse consistently).
- If they were used as a discretionary tool (compared to a set ratio set out in legislation), clarity would be required to ensure everyone knows the rules of the game, who the decision maker is and how the price measures will be interpreted.
- Could be used to inform a regulatory decision for central government to intervene with additional rezoning or density controls, or increased incentives for private plan changes.
- Discussion regarding the number of changes that the central government has asked from councils over the last eight years (since NPS UDC) related to quantity of capacity provision, and the risk that adding yet another factor (price trigger). There is a risk this could undermine gains and improvements made in the system by introducing increased complexity (and scope for councils to interpret new requirements in unanticipated ways that may result in sub-optimal policy outcomes).

Item 3: Quantity-based development capacity requirements (incl. how to adapt and improve current approach to meet GfHG objectives)

Assuming a quantity-based approach to development capacity requirements is progressed, how should this be designed and what changes to the status-quo system would be required?

- HUD officials outlined when a Cabinet paper is expected to be presented to Cabinet, the timeframes for preparing this, the content and decisions this will likely include, and the Regulatory Impact Statement that will accompany the paper.
- Officials presented a high-level overview of their policy thinking to date on design of Targets (summarising material shared with the HEAG), and acknowledged feedback previously provided on this from the HEAG.

Development capacity and the competitiveness margin

- Population projections are uncertain and frequently have underestimated population growth. Given this, removing the competitiveness margin requirement from the system moving forward would be concerning. However, this may be less of a concern subject to how Targets are determined and whether price indicators have a more consequential role in the system moving forward.
- In general, it is useful to require provision of additional capacity given the uncertainty of projections and asymmetric risk — i.e. the potential costs of oversupplying capacity are significantly less than the costs of undersupplying capacity.
- Beyond discussion of the competitiveness margin, there is broad comfort with the proposed changes to the definition of development capacity. Infrastructure system settings will be crucial to policy outcomes, particularly around corridor protection and ensuring development is not unnecessarily restricted due to overly stringent infrastructure requirements.
- The Minister for Housing wants to ensure that if a council opts out of the MDRS, then there is no net reduction of capacity as a result. This will be important policy to ensure supply of sufficient development capacity.
- The location and typology of development capacity provision is just as important as providing sufficient aggregate capacity to meet demand. There is a general view that councils must be required to provide sufficient capacity at a more granular level in some form (rather than solely having a city/district wide Target).

Demand projections

- There is a general view that council growth assessments to date have been too low, leading to an undersupply of development capacity. Furthermore, these have tended to 'bake in' previous housing policy failures (e.g. household formation projections based on decades of under-supply of housing delaying household formation), perpetuating issues in the system.
- Further information was requested on the difference between StatsNZ's medium and high-growth population projections for overall housing demand. Officials will follow up on this request and provide additional information.
- Councils should not have discretion to determine which growth projections they use moving forward, prescribing the use of Stats high-growth projections would be a good improvement (but may also still be too low, particularly given historic trends of these projections underestimating growth rates).
- Over time, the drivers for housing demand will shift from population growth to income growth – as incomes grow people tend to want more housing (i.e. people tend to prefer smaller households if they can afford it, e.g. a renter would likely

prefer fewer/no flatmates if they could afford a suitable rental). It is important that demand projections/Targets account for income growth, changing preferences, and household formation changes.

Housing and Business Development Capacity assessments (HBAs)

- The quality and reliability of HBAs to date has been generally poor, this needs to be addressed for successful policy outcomes. In particular, new robust technical guidance is required (particularly for modelling) and HBAs need to be independently reviewed and verified moving forward. Discussion included possibility of introducing a legislative ability to issue a handbook on producing HBAs that can be updated over time, which councils would have a legal requirement to comply with.
- HUD and MfE intend to prepare and publish new guidance. Subject to final decisions on whether HBAs are independently reviewed, there would be a strong expectation that this guidance would need to be followed (with any deviation sufficiently justified).
- HBAs are not economic models, while these serve a useful purpose for site-level analysis they provide much less value for city level market analysis and insights.

Item 4: Enabling more responsive capacity release (incl. addressing urban limits)

Would new rules for infrastructure funding that enables cost recovery, combined with the NPS UD responsiveness policy get us the responsive system we need?

How do we think about impacts on wider infrastructure network costs and the role of long-term spatial planning for growth?

- A brief introduction was provided on urban limits, the intent of enabling more responsiveness and the impact of existing NPS UD policy in this area.

Role of infrastructure

- Worth thinking about how settings can improve project selection. Do we have a way to distinguish between infrastructure people want versus infrastructure people need?
- Te Waihangā work on land transport illustrates conflicts between signals sent. We have planned investment that outstrips revenue. There is a trilemma – we want user cost-recovery, we want political determination of investment, we want political determination of prices. Can only have two out of three.
- Water reforms may address some of these issues. For roads, could look at options such as allowing small roads, initially, and then widen it if you get more growth.

Impact of the NPS UD responsiveness policy

- NPS-UD responsiveness policy requires judgement that a private plan change will significantly add to development capacity. This can be a barrier, because Councils may contest that they have a lot of development capacity in existing plans. However, the private plan change itself is an indication of demand in the system.

Cost recovery and private plan changes

- Principle in Local Government Act of no over-recovery leads to bias of under-recovery. There are also issues about timing of payment collection. Useful to have power to correct for under-recovery through targeted rate and have power to recover from latecomers, potentially keeping this off-council books.
- Worth considering a requirement for private plan changes to provide a plan for funding infrastructure, potentially aligned with key corridors
- Useful to be able to use Development Contributions (DCs) and Targeted Rates (TRs) as complementary tools.
- May need to look at state highway funding settings. Appears a lot of development occurs alongside state highways.

Spatial planning and infrastructure settings to support responsiveness

- Solly Angel type approach of spatial strategies may be useful. Creates super-blocks and doesn't deal with smaller roads. Would require structure planning or Urban Development Authorities.
- If zoning was tied to infrastructure, then infrastructure would trigger land value increase and enable value capture. Useful to understand the value created by infrastructure, to help encourage people to pursue that value. Current approach to CBA (especially transport) is flawed.
- Issues if central government provides local public goods (e.g. state highways within cities). Central government collects money, and consequently ends up determining how money invested. If CG or general-purpose local government funding infrastructure, then local landowners lobby them. Important to tie hands of CG or LG.

Workshop 2 – Preliminary feedback from the Housing Expert Advisory Group (“HEAG”) for the purposes of discussion

Document	Reference	Comment
1 Workshop 2 - Memo - Overview of development capacity under the status-quo	Annex B (pg. 5)	HEAG is extremely concerned by Councils’ current housing growth assessments, which in our view are too low and seem likely to lead to an undersupply of development capacity. In general, the assumptions that underpin these assessments appear to “bake in” housing policy failure, that is, low growth and high prices. Such outcomes appear to be inconsistent with the GfHG agenda, and the well-being of New Zealanders, more generally. In Auckland, for example, Auckland Council has assessed demand of ~197,100 households over 30 years, which equates to a 28.9% increase on the current stock of 680,000 households, or 0.85% p.a. To illustrate why we consider this assessment to be too low, we present the following – in our view, plausible – scenario: • Auckland’s population grows at an average rate of 1% p.a. • Average household size falls by an average rate of 0.5% p.a. (due to the combined effects of an ageing population and falling birth rate) • Average real incomes grow by 1% p.a. (with an income-elasticity of the demand for housing of 0.50). In this scenario, we’d expect housing demand to grow by approximately $1\% + 0.5\% + (0.5 \times 1\%) = 2\%$ p.a, or 81% over 30-years. The latter level of growth is 2-3 times higher than that assessed by Auckland Council. Indeed, Auckland Council’s assessment of housing demand appears to be broadly consistent with a scenario in which average household size remains constant (or, in other words, household formation continues to be suppressed) <i>and</i> real income growth is zero. These concerns carry over to the demand assessments for most other major urban Councils, e.g. Wellington and Christchurch. Some councils like Wellington City have explicitly incorporated current planning capacity into their projections for population growth. Moreover, and as far as we can tell, many Councils’ assessments of housing growth do not allow for demolitions, which our estimates put at 20% for infill development. For these reasons, HEAG considers it likely that Councils assessments are <i>systematically underestimating and underproviding for housing growth</i>. In our view, this poses major risks to the GfHG agenda. To finish, HEAG notes that errors in housing growth assessments impose highly asymmetric costs. Specifically, the welfare costs of <i>over-forecasting</i> growth seem likely to be significantly smaller than those that come from <i>under-forecasting</i> growth. Such asymmetries in costs have been explicitly recognised in other policy domains, such as the practice of the Commerce Commission to add an extra margin to the cost of capital for regulated businesses. We suggest these asymmetric costs should be kept in mind at each and every step of assessing housing demand, especially given New Zealand’s existing housing shortage.
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	" The Minister of Housing has signalled a goal of ensuring that there is no net reduction in development capacity if a council chooses to opt out of the MDRS” (slides 7, 33)	HEAG interprets this as MDRS+NPS-UD enabled capacity defining the “hurdle” that Councils must meet to qualify for opting out. That is, the capacity of planned, feasible, and infrastructure enabled capacity provided through any alternative plan change should be equal to or greater than MDRS+NPS-UD provisions. We note that many TAs in New Zealand are relatively large, whereas housing markets are often quite localised. From an economic perspective, we consider that the location of development capacity within TAs will be crucial to delivering the GfHG agenda. Although we appreciate that the policy intent underpinning the MDRS opt out is to provide Councils with <i>greater</i> flexibility, we do not necessarily interpret this as requiring <i>complete</i> flexibility. Specifically, we consider it appropriate and reasonable for Central Government to continue to impose some requirements on the location of the development capacity that is enabled by Councils that opt out of the MDRS. Put simply, removing all considerations of location would seem to risk delivering housing outcomes that are inconsistent with GfHG. To ensure that sufficient development capacity is provided in the locations where people want to live, we suggest that requirements to enable development capacity must apply at a sub-TA level, for example by SA3. We expand on this suggestion in the comment below.
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	s 9(2)(f)(iv)	As noted above, we are sympathetic to the suggestion that the intent of the “MDRS opt out” is to provide Councils with greater flexibility about where and how they enable development capacity. We are also sympathetic to the suggestion that not all locations are suitable for development. Nevertheless, we do not consider that removing <i>all</i> locational considerations is necessarily the most appropriate policy response, given that TAs are relatively large and housing markets are relatively localised. HEAG considers that the aims of the GfHG agenda are more likely to be achieved by significantly relaxing, but not completely removing, the locational requirements that are imposed on Councils that opt out of the MDRS. We note that RMA s77I(a)-(i) (Qualifying matter such as natural hazards, but excluding s77I(j) - “any other matters”) provides for the identification and exclusion of areas that are subject to natural hazards. We also do not consider sub-TA level growth projections (population, household etc) are a pre-requisite for the formulation of sub-TA level housing targets. In our view, the latter requires only the development of appropriate methods for 1) Estimating total housing demand growth at the TA-level and 2) Apportioning this growth to the sub TA-level (“sub-geographies”). The latter could respond to but does not require sub-TA level projections. s 9(2)(f)(iv)

Document	Reference	Comment
		- Estimate the resident population R_i of the land in each sub-geography i that does not qualify under RMA s77l(a)-(i) (Qualifying matter such as natural hazards, but excluding s77l(j) - “any other matters”) - Apportion total housing demand Q across sub-geographies based on their share of the total resident population of the urban area. That is: $Q_i = Q \frac{R_i}{\sum_j R_j}$. In this way, housing demand is apportioned pro-rata with the share of the population in each sub-geography that is not subject to natural hazards. We suggest Q_i provides, at the very least, a useful starting point for further discussion and policy analysis. If it was considered desirable to provide Councils with even greater flexibility in how they accommodate total growth, Q, then they could be allowed to “transfer” some demand (ΔQ_i) to sub-geographies with higher average land values per sqm, $p_j > p_i$. In this case, an acceptable “final” allocation would be $Q_i^{Final} = Q_i - \Delta Q_i$ and $Q_j^{Final} = Q_j + \Delta Q_i$ where $p_j > p_i$. Although the latter criterion appears complex at first glance, it implies that the final allocation of growth to sub-geographies produces a population-weighted average land value that is higher than that in the initial “pro-rata” allocation. As such, this method can be generalised across urban areas without needing to track when and where growth is transferred between sub-geographies (NB: HEAG can provide further details on this calculation if needed).
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	Guidance for councils to undertake a capacity assessment (pg. 16) (see also requirements on councils for feasibility modelling on pg. 24)	HEAG agrees that there needs to be a clear specification of how councils are to undertake a capacity assessment, including specifying inputs, data sources, methodologies, etc. However, it would be useful to understand whether this provides merely a guide for councils (with councils able to pick and choose what they apply), or whether there is a more stringent requirement to closely follow those specifications. HEAG also considers there needs to be a requirement for robust peer review of Council’s capacity assessments by HUD, or an independent party that is appointed by HUD. Placing responsibility for undertaking such reviews in the hands of HUD would serve to improve the independence of the process (NB: Councils can of course continue to undertake their own reviews).
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	How are housing demand targets determined (pg. 17)	HEAG supports requiring the use of Statistics New Zealand “high” growth projections, which we consider to be consistent with the GfHG agenda. We also suggest requiring the use of Statistics New Zealand’s official projections at the TA-level, rather than those prepared specifically by consultants (using other data or their own estimates) for council planning processes, as sometimes currently occurs (NB: Alternative projections may provide a useful sensitivity test, for example). In our view, this will partly – but not fully – address the systematic downwards bias in Council’s assessment of future housing demand that is discussed above. HEAG has further suggestions on how to improve current and proposed methods for estimating housing demand, which we elaborate on in the following points.
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	Current methods for assessing housing demand do not allow for income effects (pg. 17).	As alluded to above, economic evidence finds that income growth leads to increased demand for housing. This demand comprises both increased floorspace and additional dwellings, such as secondary dwellings, or “holiday homes”. Although estimates of the long-run income-elasticity of demand for housing varies significantly between studies, our initial informal review of the literature suggests they tend to fall in range of 0.4-1.0. ¹ These numbers imply that a 1% increase in real incomes can be expected to lead to approximately an 0.4-1% increase in the long-run demand for housing. HEAG is of the view that including income effects in housing demand estimates may help to ensure that sufficient housing capacity is enabled to address New Zealand’s persistently high house prices.
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	Current methods for assessing housing demand risk “baking in” the consequences of historical policy failures, which is especially crucial when deciding between using population and household projections (pg. 17).	HEAG notes that the methodology used by Statistics NZ’s to arrive at sub-national household projections models the propensity for household formation. Most crucially, this method includes “geographic effects”, which Statistics New Zealand note can vary substantially between areas. HEAG considers there is a high risk that these fixed geographic effects partly capture endogenous responses to housing outcomes, such as the tendency for high housing costs to suppress levels of household formation among young people. As such, Statistics NZ’s household projections may tend to embed outcomes that the GfHG agenda seeks to change. The figures below, for example, compare average household size in Australia versus projections over time (left) as well as trends in average household size in capital cities versus the rest of Australia (right). These figures illustrate how a longstanding trend towards lower average household size, which is consistent with broader demographic trends of an ageing population and lower birth rates, came to an abrupt halt around 2003 – in stark contrast to the demographic projections that were made by the Australian Bureau of Statistics at the time. Moreover, average household size in Australia’s capital cities has, since this time, flatlined or even increased. We understand that broadly similar trends in average household size have been observed in New Zealand. For this reason, HEAG recommends assessments of housing demand begin from <i>population projections</i> and then make explicit assumptions on average household size. The latter assumptions could be directly informed by the Statistics NZ household projections, in which case the population projections map directly onto household projections. We note that even using population projections runs the risk of under-estimating growth, because population is determined with housing growth. Nonetheless, requiring Councils to begin from population growth will at least require that assumptions on average household size are transparent.

¹ See, for example, Harmon, O. R. (1988). The income elasticity of demand for single-family owner-occupied housing: An empirical reconciliation. Journal of Urban Economics, 24(2), 173-185 and Liu, X. (2019). The income elasticity of housing demand in New South Wales, Australia. Regional Science and Urban Economics, 75, 70-84.

Document	Reference	Comment
		Figure 3.9: Most predictions were that the average household size would continue to fall, but it has remained unchanged since 2000 Average household size, actual and projected Note: ABS projections are series II or series B projections. Skinner (1999) projection for 2021 is for average household size to be between 2.2 and 2.3. Sources: McDonald and Temple (2013), Skinner (1999), ABS (2015c), ABS (2010) and Capuano (2012).
		Average Household Size: Capital Cities v Rest of Australia* * Smoothed lines are 13-period Henderson trends. Sources: ABS; RBA
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	Assuming dwellings to households ratio remains constant over time risks underestimating future housing demand (pg. 17)	The slides note that the ratio of dwellings to households can vary significantly between areas, e.g. due to holiday homes and visitor housing (these may overlap). HEAG is concerned the ratio could also vary, specifically increase, over time, possibly due to income effects as discussed above. If so, then fixing the ratio of dwellings to households at current values – and extrapolating it forward – may underestimate future demand. We see three possible ways to address this risk: 1) Allow for income effects directly, as noted above 2) Allow for trends in the dwellings to households ratio, e.g. based on historic evidence 3) Reinstate a “competitiveness margin” as currently allowed for in the NPS-UD. We note some of these methods could be applied together. For example, it may be preferable to allow for income effects and apply a competitiveness margin, rather than grapple with the complexity of projecting the dwellings to households ratio over time.
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	Definition of development capacity (pgs. 20-21)	HEAG appreciates that development capacity will need to be 1) plan-enabled, 2) feasible, and 3) infrastructure ready. Although we can understand the logic for dropping the somewhat ambiguous requirement for capacity to be “reasonably expected to be realised”, we wonder if this could be an opportunity to turn to price indicators at least as a monitoring tool. Local trends in housing prices, for example, could provide a signal of the extent to which the market perceives (“expects”) that housing capacity is able to be realised. If the market does not consider that housing capacity will be realised, then we can expect prices to rise and vice versa. In general, even if housing growth targets continue to be framed in terms of quantities, prices can nonetheless provide a useful indicator of whether Councils plans are credible. HEAG supports the desire to revise technical guidance, but we suggest retaining the capacity for a detailed MfE / MHUD review, as seems to be implied on slide 34.
2 Workshop 2 – Slides – Housing growth targets policy thinking overview	s 9(2)(f)(iv)	s 9(2)(f)(iv)

Document	Reference	Comment
		s 9(2)(f)(iv) [REDACTED] [REDACTED]
3 Infrastructure funding settings briefing	Development contributions	We note the current power to levy DCs under the Local Government Act 2002 has a principle of no over-recovery. Further, DCs levied on specific developments can be reviewed to be more proportional, but this same power doesn't appear to be present (or, at least, exercised) in the opposite direction when a certain development exceeds the 'average' cost of capital. This is an asymmetric cost recovery system that presents particular issues for councils facing uncertain future costs. HEAG suggest the DC legislation is reviewed to: - Correct the asymmetric nature of levying DCs as much as possible; - Allow councils to charge a targeted rate to correct for under-recovery; and - Consider whether the timing of payment of DCs is appropriate or should occur earlier in the development process to align with infrastructure provision.
3 Infrastructure funding settings briefing	Targeted rates	Although we have not undertaken a detailed review of the Local Government Ratings Act, there is a general view that the legislative provisions for targeted rates may not be fit-for-purpose. Under the current legislation it is unclear, for example, whether Councils can apply a targeted rate to car-parking provision to fund road infrastructure upgrades in a way that is broadly linked to demand. HEAG suggests reviewing the LGRA and considering whether there is a need for amendments to enable the use of targeted rates by Councils or their delegated organisations, like Special Purpose Vehicles ("SPVs").
3 Infrastructure funding settings briefing	Leapfrog / first mover issues	New developments may have to front up costs that benefit subsequent developments – this is typical for first-mover or leapfrog developments. E.g., trunk water infrastructure, flood protection, road reserves. One potential solution is to pay for infrastructure by initial homeowners via a SPV that has the right to collect a targeted rate off subsequent developments that benefit. This would require an appropriate framework to manage overbuilding/gold-plating and recovery.
4 Workshop 2 - Memo - development capacity requirements and price indicators	TBC	TBC
5 Draft paper on Land Supply Effectiveness Indicators HTWG	TBC	TBC

Workshop #3: Intensification Requirements

Date and time: Thursday, 9 May 2024, 1pm – 4pm

The Government has committed to making the Medium-Density Residential Standards (MDRS) optional for councils (likely subject to compliance with Housing Growth Targets, however defined). However:

- Going for Housing Growth commits to strengthening the National Policy Statement on Urban development (NPS-UD) to better-enable mixed-use development;
- the Minister of Housing has also indicated that he is open to developing new alternative minimum density standards; and
- officials have identified improvements that could be made to the intensification policies of the NPS-UD based on experience with implementation to date.

We are looking to discuss each of these matters in this workshop.

<u>TIME (approx)</u>	<u>TOPIC</u>
<u>1.00 - 1.05pm</u>	Introductions and Karakia
<u>1.05 - 1.30pm</u>	Recap: update on draft Cabinet paper following Workshop Two
<u>1.30 - 2.00pm</u>	Overview and discussion of existing intensification policies Discussion question: <i>Is there any benefit in seeking to design a new ‘alternative MDRS’ (i.e. detailed direction, but with different standards or spatial extent), or should we focus on improving the more general intensification provisions of the NPS-UD?</i>
<u>2.00 - 2.30pm</u>	NPS-UD improvements and enabling mixed-use development Discussion questions: <i>How could the intensification policies of the NPS-UD be improved to enable more housing supply and more competitive urban land markets in existing (brownfield) urban areas?</i>

	<i>What are the best ways for councils to enable more mixed-use development? How directive should we be, and how far should we go in terms of what activities are enabled?</i>
<u>2.30 - 2.45pm</u>	Break
<u>2.45 - 3.15pm</u>	NPS-UD improvements and enabling mixed-use development (cont.)
<u>3.15 - 3.50pm</u>	How an alternative MDRS could be designed Discussion question: <i>Is there an alternative version of the MDRS that we could design that could retain some of the benefits of the MDRS but with broader community-buy in? If so, what would this look like?</i>
<u>3.50 – 4.00pm</u>	Wrap-up and next steps.

Membership of the Housing Expert Advisory Group:

- Kevin Counsell
- Eric Crampton
- Stuart Donovan
- Marko Garlick
- Malcolm McCracken
- Stuart Shepherd

Officials attending in support of the HEAG at Workshop #2:

- David Hermans, Chief Advisor, HUD [Workshop Facilitator]
- Hilary Joy, General Manager, System Policy, HUD
- Fiona McCarthy, Manager, Urban Development Enablement, HUD
- Cam Vannisselroy, Principal Advisor, Urban Development Enablement, HUD
- Matt Pilkinton, Senior Policy Advisor, Urban Development Enablement, HUD
- Cathy Steel, Principal Advisor, Planning and Infrastructure, HUD
- Jane Keane, Manager, Housing Supply and Affordability
- Lesley Baddon, Auckland Regional lead, Ministry for the Environment
- Stephanie Gard'ner, Principal Policy Advisor, Ministry for the Environment
- Chris Parker, Principal Policy Advisor, Treasury
- Peter Nunns, Director, Economics, Te Waihanga Infrastructure Commission
- Arati Waldegrave, PAG Advisor, DPMC

Suggested pre-reading (provided)

PRE-READING	EXPLANATION
Guidance: Understanding and implementing intensification provisions for the NPS-UD (Link)	This document provides background information about current intensification policies in the NPS-UD
Advice on mixed-use development and changes to NPS-UD intensification policies (Attached)	This advice is intended to inform the discussion about how the NPS-UD's intensification provisions could be improved and how mixed-use development could be enabled
Material on alternative MDRS standards (Attached)	This document is intended to inform discussion about how an 'alternative MDRS' could be designed
Stuart Donovan: NPS-UD Amendments	Suggested NPS-UD changes provided by Stuart Donovan
Suggested reading from first workshop:	
NPS-UD A3 explainer	These documents provide a high-level background to the NPS-UD and MDRS. There are a range of other background documents on the NPS-UD and MDRS on the MfE website.
National Policy Statement on Urban Development 2020: Introductory Guide (Link)	
Medium Density Residential Standards: A guide for Territorial Authorities (Link)	
NPS-UD Cost-Benefit Analysis (Link)	This document provides an overview of core urban economics concepts and applies these to NPS-UD and New Zealand.

NB – Further material may be provided prior to the workshop



Memo: Mixed-use and NPS-UD Intensification Requirements

To	Housing Expert Advisory Group
From	Matt Pilkinton, Senior Policy Advisor, Urban Development Enablement
Approved by	Fiona McCarthy, Manager Urban, Development Enablement
Purpose	To provide advice on how mixed-use development could be better enabled, and on possible improvements to the intensification provisions of the NPS-UD

Background

1. This memo consists of draft advice to the Minister of Housing on mixed-use and intensification, which we intend to provide later this month.
2. The Housing Growth Targets and MDRS optionality will have benefits such as setting baseline development capacity requirements while providing councils with more flexibility around where they provide for growth.
3. However, even with these baseline requirements, we consider there are opportunities for improvements to the intensification provisions of the NPS-UD as a complementary measure to provide more confidence in the magnitude and location of, development capacity enabled (i.e. the quality of capacity). There is also a case for moving beyond a focus on development capacity alone, to consider how neighbourhoods can be made more 'liveable' by complementing housing with other commercial and community services.
4. This memo focuses on:
 - how to better-enable mixed-use development, as per the Going for Housing Growth manifesto; and
 - other possible improvements to the intensification provisions of the NPS-UD, based on experience with implementation of the NPS-UD to date.

Mixed-use development

Some mixed-use development is already enabled, but there is scope to go further

5. The Going for Housing Growth manifesto proposes to make it easier for mixed-use development to take place via changes to the NPS-UD. We understand the intent of this policy is to enable activities that support living in a well-functioning urban



environment – for example through enabling opportunities for provision of local retail, commercial and hospitality services alongside residential.

6. Mixed use brings benefits of agglomeration, increased activity at more times of a day or night (promoting safety and the commercial viability of businesses) and increased access to activities and services. It can make active transit more viable (reducing congestion and emissions from private vehicle use), and create more dynamic, liveable and attractive neighbourhoods. It can also promote productivity, competition¹ and innovation.
7. The benefits of mixed use come with challenges, primarily managing the interactions between different uses that could create nuisance factors for others (such as impacts on wellbeing that arise from housing being located near to noise produced from activities such as hospitality). This means that there is still a case for:
 - Separating some land uses; and
 - Managing the effects of activities where different uses are allowed to mix.
8. Mixed use can occur in a variety of ways including within a single multistorey building (eg, offices and hospitality within a building in a city centre) and alongside one another (eg, school alongside neighbourhood shops and homes). Local zoning rules determine the extent to which this can happen.
9. Mixed use occurs across New Zealand at differing scales and intensity. It is generally provided for in all commercial zones, but to a much lesser extent in residential zones. For example, in most places dairies and working from home are the only material commercial activities enabled in residential zones, and even dairies typically require resource consent. In residential zones, community activities such as education and community facilities and places of worship are generally not well enabled. Sometimes, the lack of mixed-use provided for in residential zones is addressed through ‘spot zoning’ – small patches of commercial zones in otherwise residential areas. However, overall, zoning in and around the areas in which people live typically remains highly restrictive of other activities.
10. Many local plans take a ‘centres-first’ approach to enabling commercial activities – taking a carefully managed centres hierarchy which controls which activities are allowed in which locations (for example, under this view, only small shops and cafes may be viewed as appropriate in local suburban centres, with larger commercial activities required to locate in metropolitan or city centre zones). This is intended to

¹ Providing more flexibility regarding land use allows land to be allocated to its highest value use and reduces the risk of land use regulation serving as a barrier to entry to firms looking to enter the market. For example, the Commerce Commission’s 2022 retail grocery market study identified the planning system as a key barrier to competition in the retail grocery sector, because it heavily restricted the land available for supermarket development. The Commission recommended greater mixed-use zoning as one of the ways to address this issue.



support the benefits of agglomeration and avoid dominance of activity scale, but risks undermining the benefits arising from mixed use set out above.

11. Zones that specifically provide for a mix of uses are employed in many district plans. This includes specific mixed-use zones that are often used to provide a transition between zones with a more commercial nature to those with a residential focus. Other examples include Māori special purpose zones that enable a range of activities (often community and service base) alongside residential activities.
12. However, based on our review of district plans, we consider there is generally scope for councils to be more enabling of mixed use than at present. This would provide for more activities to be enabled in more locations – either as of right, or with an easier consenting pathway than at present.
13. The primary focus of national direction on mixed use should be on enabling commercial and community activities in areas that are currently predominantly residential, rather than on enabling residential activities in areas that are predominantly commercial. This reflects that the NPS-UD already gives direction on enabling residential activity in commercial areas, and our findings set out above about what is currently enabled where.
14. Other factors influence whether mixed-use development occurs in practice and there can be particular challenges when seeking to undertake ‘vertical mixed use’ development²). However, a more enabling framework would provide more choices and flexibility to maximise chances of success.

There are choices about how prescriptive and enabling to be in national direction

15. Council zoning frameworks are highly complex and requiring councils to enable more mixed-use development could involve a correspondingly complex set of requirements in national direction.
16. There are choices about how prescriptive to be in direction to councils regarding enabling mixed-use:
 - **Option A:** provide strong direction to councils on the mixed-use outcome that they need to achieve, without prescribing what that should look like. For example, ‘councils must provide for a range of activities, including residential, commercial services, retail and community facilities’. This policy could include (non-mandatory) examples of the types of activities that should be enabled (such as supermarkets and/or convenience stores, hairdressers and medical facilities) to be clear on the expected outcome.

² This includes added complexity of insurance for multiple uses, building ownership and multiple titles, fire ratings for building materials between different areas of different use, and the need for multiple building entrances and lift cores



- **Option B:** provide detailed direction to councils, prescribing what types of activities must be enabled. These could be based around the likely externalities (such as noise or traffic effects) generated from the activity. Councils would then choose how to reflect this in their zoning frameworks. For example, under this option, councils could be directed to enable small-to-medium-scale activities such as convenience stores, metro-style supermarkets, retail, cafes, restaurants and offices (potentially subject to controls as set out below).
- **Option C:** develop a national planning standard that set out the full rules for a mixed-use zone, including prescriptive matters such as building heights, setbacks, noise limits and hours of operation. Within this option, there are choices about how enabling the zoning rules would be of differing activities.

We recommend enabling mixed use generally, but with a focus on intensification areas

17. Regardless of how prescriptive direction is, there are choices about where councils are directed to enable mixed use.
18. Mixed-use is likely to be most viable and beneficial in higher density areas, including those subject to the current or proposed (see below) intensification policies of the NPS-UD. These areas are also likely to be best suited to the potential effects of mixed-use (such as traffic and noise) as they generally reflect better-connected parts of urban areas, and these effects may better align with the expectations of existing residents.
19. However, there would be benefits to enabling mixed-use more broadly outside of these areas. We therefore recommend:
 - Focusing the direction to councils on mixed use around areas subject to current or proposed NPS-UD intensification requirements; but
 - Also including a baseline direction to enable a greater provision of a mix of activities to support well-functioning urban environments beyond intensification areas.
20. This could look different depending on how prescriptive direction is. For example, under Option A, this might look like a general policy to provide for a mix of uses to enable well-functioning urban environments. For Option B, councils might be directed to enable metro-style supermarkets in NPS-UD intensification areas, but required to allow convenience stores anywhere across their urban areas.

More prescription provides more confidence in the outcomes achieved, but increases resources required and the risk of unintended consequences

21. There are trade-offs between the options set out above. Option A, while directive, provides the most scope for local decision-making. However, leaving it up to councils to determine how to provide for the directed mix of uses risks smaller amounts of these activities being provided for than intended, although does provide for nuance in addressing local circumstances.



22. Option B would provide more confidence than Option A that the Government's policy intent would be implemented by councils. However, it could involve making difficult and potentially arbitrary judgements about which activities to direct to be enabled, where.
23. Option C provides the greatest confidence that the Government's policy intent will be achieved. However, it would have very high resourcing requirements for central government, involves the highest risk of unintended consequences if central government prescription removes the ability of local councils to manage genuine externalities, and provides the least scope for local decision-making.
24. We recommend either Option A or B, depending on how trade-offs set out above are balanced.
25. Option A and B are both moderately ambitious approaches to setting national direction on mixed use development. Direction could be more enabling of mixed-use development by allowing most activities in most areas. However:
 - In reality, moderate-to-large-scale businesses are already likely to have good commercial incentives to locate in high-accessibility and/or high-density areas rather than poorly-connected locations, so being more enabling of moderate-to-large-scale activities in more places may not have a significant impact on where different activities locate in practice.
 - As this will represent the first attempt at national direction regarding mixed-use development, there is arguably a case for limiting the scope of direction on mixed-use to avoid unintended consequences (including a loss of social licence for intensification) that could be associated with moving too far, too quickly. Councils will retain the ability to be more enabling than the national direction required.

Intensification requirements

Current NPS-UD requirements provide a solid base, but could be strengthened

26. Councils that choose to opt-out of the MDRS will need to reallocate development capacity (i.e. no net loss relative to the status quo) across their urban environment. We think it is preferable that a good deal of this capacity goes in places that support a well-functioning urban environment, is in locations well-served by public transport, and is where people want to live – however, this would limit the amount of choice councils have.
27. The NPS-UD directs (in policy 3) minimum building heights and densities that must be enabled in particular locations (e.g., city centre zones, metropolitan centre zones) and within walkable catchments of a hierarchy of centres and existing and planned rapid transit stops (refer **Annex A**). These policies are designed to enable density in locations where people want to live, and support well-functioning urban environments.



28. These intensification requirements provide a solid base, however, they could be strengthened to:
- Better achieve the original policy intent of the NPS-UD; and
 - Materially expand the areas subject to NPS-UD's intensification policies to compensate for some of the density that may be lost as a result of making the MDRS optional.

At a minimum, policy 3(d) should be changed back to its original scope

29. Prior to the MDRS' introduction, policy 3(d) required in all locations of tier 1 urban areas, heights and densities commensurate with the level of accessibility to a range of commercial activities and community services or the level of demand in that location. An equivalent requirement still applies to Tier 2 and 3 urban environments.³
30. As part of the Bill introducing the MDRS, the scope of policy 3(d) was narrowed to just apply to neighbourhood, local and town centre zones. This was largely because the MDRS arguably made policy 3(d) redundant outside of those centre zones. However, in making the MDRS optional, this rationale no longer applies and we recommend expanding policy 3(d) back to its original scope
31. The original Policy 3(d) was not implemented by any council prior to it being changed when the MDRS was introduced. The policy is intentionally non-prescriptive so its impact is difficult to predict in advance. However, in some areas, councils could plausibly interpret it as a requirement to enable three storey (or greater) housing (albeit with much more flexibility than the MDRS). In other areas, councils may determine that there is little demand or accessibility, and retain existing underlying zoning.

More prescription could widen the application of intensification policies

32. Options for materially expanding the areas the intensification policies apply are discussed below. However, more prescriptive intensification policies would reduce flexibility for local councils. Note that any changes agreed to for the intensification policies could also impact on the spatial application of mixed-use policy, as discussed above.

We recommend expanding the types of transit that intensification requirements apply to

33. Policy 3(c) requires 6 storey development to be enabled within a walkable catchment of rapid transit stops. However, only Auckland and Wellington have transit that meets this definition,⁴ which limits the extent to which the NPS-UD enables intensification in areas well-served by public transport in other Tier 1 urban environments. For

³ See Policy 5 of the NPSUD

⁴ Defined as any existing or planned frequent, quick, reliable and high-capacity public transport service that operates on a permanent route (road or rail) that is largely separated from other traffic. This effectively only applies to Auckland and Greater Wellington's rail networks, and the Northern Busway in Auckland



example, catchments of high-frequency bus routes are not defined as rapid transit and therefore not subject to the intensification requirements of policy 3(c).

34. Areas well-served by public transport will often be the areas where people want to live. We recommend introducing specific intensification requirements for a broader range of public transport than just rapid transit as currently defined.
35. Specifically, we recommend requiring plans in tier 1 urban areas to enable:
 - Building heights of at least 6 storeys within walkable catchments of high-frequency transit [stops/corridors]; and
 - Building heights of at least 3 storeys within walkable catchments of regularly-serviced transit [stops/corridors]. This would ensure that, even if councils opt out of the MDRS, medium density development is still enabled in areas where it is likely to be viable and well-suited (but in way that provides more flexibility regarding specific standards than the MDRS).
36. We also recommend replacing the definition of rapid transit with a definition of “separated transit” by removing requirements around frequency, speed and reliability. This would remove some of the unproductive debate around whether particular transit routes meet the requirements for rapid transit and recognise that separation from other forms of traffic is likely to often be a key determinant of factors such as reliability and speed.
37. s 9(2)(f)(iv)

Impacts of proposals

38. The high-frequency and regularly serviced categories would represent a material expansion to the NPS-UD’s intensification requirements:
 - Within Wellington and Auckland, the areas subject to six-storey intensification would materially increase and apply in new locations. In addition, parts of Hamilton, Tauranga and Christchurch would also now be required to enable six-storey development around transit.
 - The regularly-serviced transit stops category would – in practice – seek to retain a reasonable amount of the intensification provided by the MDRS, albeit with more discretion for councils about the specific standards (such as height in relation to boundary) to apply.



39. In some cases, these changes could increase the total amount of development capacity provided for within cities. In other cases, they could result in changes in where development capacity is located, but not change overall capacity provided.⁵

Extent of walkable catchments

40. Walkable catchments are important for determining where the intensification policies apply. These are not defined in the NPS-UD, however MfE has published detailed guidance on walkable catchments based on international best practice. Despite this, councils have taken a range of approaches to determining the extent of walkable catchments and some councils have not followed MfE guidance. Walkability is inherently subjective and in many cases, determining walkable catchments has become a political consideration for councils rather than a technocratic decision.
41. The different approaches taken by councils to determine walkable catchments has led to costs and inefficiencies in the plan change process.⁶ Councils' and submitters' time and resources have been spent considering and debating the meaning of walkability and how to apply it to local circumstances. This is despite data showing that both within New Zealand and overseas, there is relatively little variation in how far people are willing to walk to centres and transit.
42. The discretion provided to councils also leaves scope for councils to set small walkable catchments, reducing the level of upzoning provided for.

Minimum catchment sizes could be set

43. While many councils have already implemented current NPS-UD requirements, given our proposed changes to the transit-related intensification requirements described above, we recommend changes to address the above issues in future:
- Reframing walkable catchments as "local catchments". This may help avoid unproductive debate around walkability, and recognises that catchments are typically varied based on the level of services proximate to the centre or transport stop rather than physical walking constraints.
 - Mandating minimum sizes for each type of local catchment. This would reduce inefficiencies in the plan change process and better support increased development capacity. However, it would limit councils' ability to respond to local circumstances when determining the extent of local catchments.

Impact of proposals

44. s 9(2)(f)(iv)

⁵ This would depend on factors such as whether councils were keeping the MDRS or not. Changes to these requirements would be more likely to increase total capacity required for councils choosing to keep the MDRS.

⁶ For example, the Wellington District plan process changed the recommended or proposed walkable catchment around some Kapiti line train stations and the central city at least 5 times.



s 9(2)(f)(iv)

45. s 9(2)(f)(iv)

Qualifying matters

46. Tier 1 local authorities are not required to implement the MDRS or the intensification direction of the NPS-UD in particular areas if a qualifying matter makes higher levels of density inappropriate in those areas. Some qualifying matters are listed in the RMA (e.g., land is subject to a matter of national importance under section 6 of the RMA such as natural hazard risk; provides for public open space or is subject to a designation or heritage order); while other, non-listed matters can also be used to reduce the level of density required. Unlisted qualifying matters that have been used include special character, infrastructure capacity, sunlight access planes and airport noise contours.

Councils must meet particular requirements to use unlisted qualifying matters

47. Additional process and evidentiary requirements apply for councils using unlisted qualifying matters to reduce the level of upzoning provided for by the MDRS and NPS-UD.⁷ These are intended to ensure that unlisted qualifying matters are only used where they are appropriate and only to the extent necessary.
48. Despite these requirements, in many cases councils have used unlisted qualifying matters without sufficiently justifying why the qualifying matter makes intensification inappropriate or properly undertaking a site-specific analysis. For example, there was limited evidence that the notified Auckland Council plan change and the Wellington City Council took into account the relevant costs of their character restrictions, including impacts on development capacity, accessibility and well-functioning urban environments. If these costs had been taken into account, the extent of character restrictions in both cities would likely have been smaller – noting that Auckland is yet to go through its independent hearings panel processes that could make a difference in the outcome.

⁷ These include assessing the costs and broader impacts of the limits; justifying why they are appropriate in light of national significance of urban development and objectives in the NPSUS, and undertaking a site specific analysis to determine how best to achieve the greatest heights and densities while managing the specific characteristics of the matter.



49. Councils failing to meet the process and evidentiary requirements for unlisted qualifying matters has also been ignored by Independent Hearings Panels in some cases.

Enforcement of requirements for unlisted qualifying matters should be improved

50. The process and evidentiary requirements applying to unlisted qualifying matters are intended to ensure that unlisted qualifying matters are only used where they are appropriate and only to the extent necessary. Failure to meet these requirements risks the development capacity enabled by the NPS-UD being reduced without sufficient justification. Enforcement of the requirements applying to the use of unlisted qualifying matters should therefore be improved.
51. There are a number of ways to improve compliance including:
- Further guidance to decision-makers on their role and the significance of their role in reviewing, accepting and agreeing with the evidence received on qualifying matters.
 - Strengthening requirements for decision makers to explicitly address the use of qualifying matters in their report (not just in evaluation reports prepared by staff) and where they have landed on the evidence provided.
 - Requiring sign-off from a Minister on the proposed use of an unlisted qualifying matter (or as part of any proposed Ministerial sign-off of plans). This sign-off would provide a check that the use of the qualifying matter is appropriate, and the council has followed the correct process. The Ministerial sign-off could be incorporated as part of the plan change process.
52. While requiring sign-off from a Minister would provide a check on compliance with policy intent, there are associated costs and implications for agencies and Ministers in order to make these decisions. In particular, it may place limits on agency and Ministerial involvement in earlier stages of plan change processes, and there would be costs associated with preparing advice on technical plan changes. It will be important that compliance costs are proportionate with the expected impact and are considered as part of the wider process requirements (such as any Ministerial process requirements for plan changes to opt out of MDRS provisions for example).

Special character qualifying matters have been used extensively

53. Councils have utilised unlisted qualifying matters far more liberally than expected. In particular, “special character” qualifying matters have been used extensively. This is detracting from development capacity in areas where high density developments are most likely to be viable.⁸ For example, Auckland and Wellington have proposed large

⁸ Around 16,000 (reduced from 21,000 in the operative unitary plan) properties in Auckland are proposed to be subject to a special character qualifying matter under plan change 78. Auckland is yet to go through its IHP



areas to be subject to special character qualifying matters, particularly in inner suburbs where higher density development would be most viable.

54. Maps of proposed character areas in Wellington and Auckland are included in **Annex C**.

Restricting the use of character as a qualifying matter could be considered

55. Improving the enforcement of the process and evidentiary requirements for unlisted qualifying matters is already likely to reduce the extent of special character qualifying matters. However, given the widespread use of character qualifying matters and their impact on development capacity in areas most suitable for intensification, restrictions on the use of special character qualifying matters could also be considered.
56. Options could include:
- No specific change, but relying more on compliance and enforcement options (see above).
 - Outright prohibiting the use of special character as a qualifying matter (as well as any equivalent concept). This would be most beneficial for increasing development capacity. Councils would still be able to protect heritage even if special character is banned.
 - Creating a narrow definition of special character that must be satisfied to use character as a qualifying matter. A narrow definition of special character would likely include requirements that the character being protected is rare or unique.
 - Limiting the spatial extent of special character to no more than a given percentage of the land within walkable catchments of transport stops and city and metropolitan centre zones. This would still allow councils to limit development in areas of genuinely unique character. However, the percentage limitation may be treated as a target, rather than a maximum by councils. Improved enforcement of the process and evidentiary requirements for unlisted qualifying matters would therefore still be important for ensuring character protections are justified.
57. The effectiveness of any restriction on special character qualifying matters could be reduced if it is replaced with another matter, and would be a key drafting consideration. Improved enforcement of the process and evidentiary requirements for unlisted qualifying matters would also be an important backstop.

Infrastructure triggers are more appropriate than qualifying matters to address infrastructure capacity constraints

process and that might materially impact on the outcome. In Wellington special character is proposed to apply to 85 hectares (a reduction from 300 hectares in the current district plan).



58. In the current system, some councils have used infrastructure-related qualifying matters to restrict development. This would require a further plan change to remove the qualifying matter when infrastructure capacity was enabled. Infrastructure capacity is an important consideration, however we consider that other mechanisms in the system are better placed to manage infrastructure constraints, such as the use of 'infrastructure triggers' that are likely to be required as part of enabling Housing Growth Targets. Given this, we recommend prohibiting the use of infrastructure capacity as a qualifying matter.

Impact of qualifying matter proposals

59. The options proposed above would likely only have a modest impact on overall development capacity enabled. However, they would likely lead to increases in development capacity in areas where high density developments are most viable. They could therefore help promote well-functioning urban environments.

Annexes

Annex A: Current NPS-UD Intensification Policies

Annex B: Proposed intensification requirements

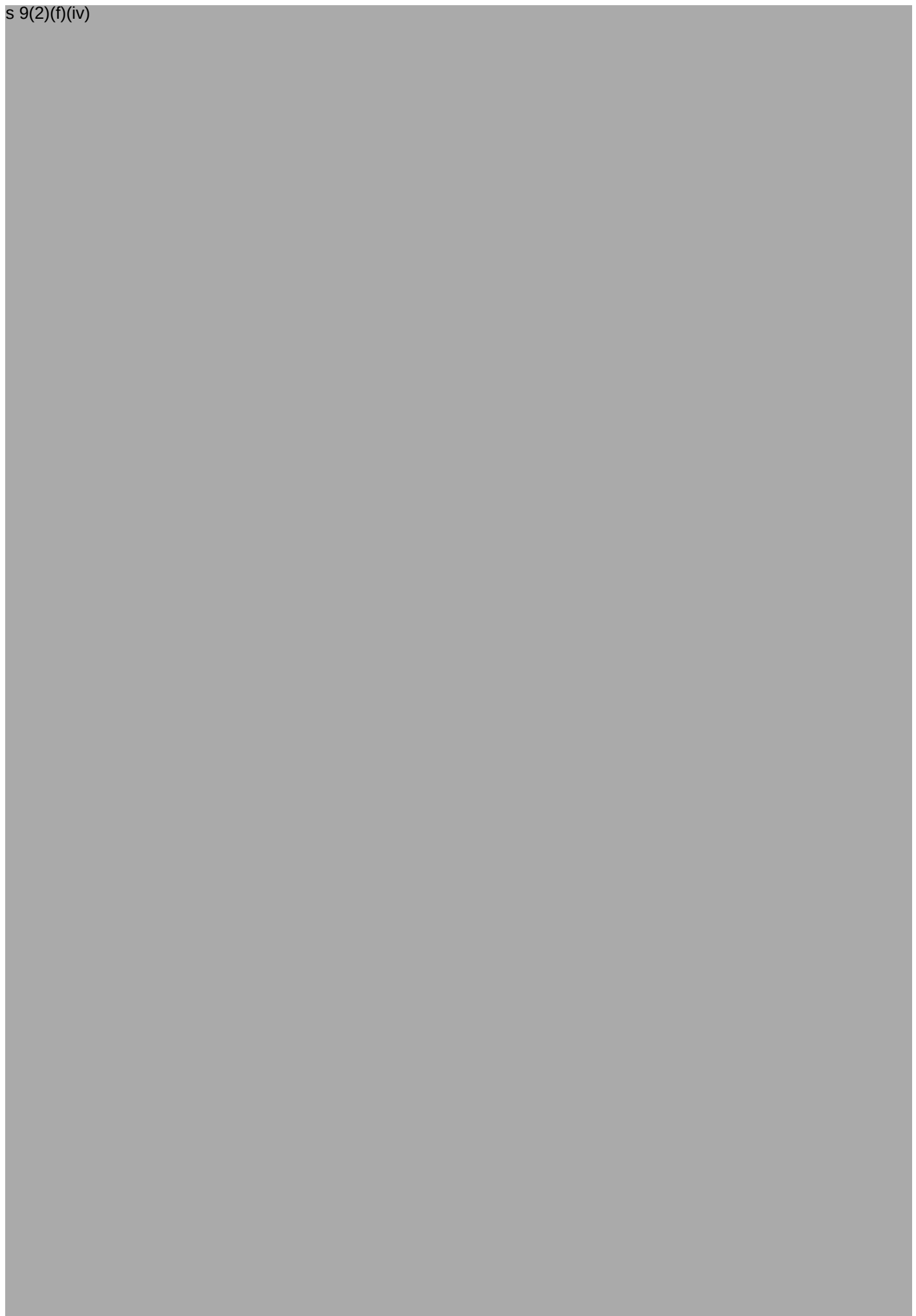
Annex C: Maps of special character areas

Annex D: Other NPS-UD changes we are considering

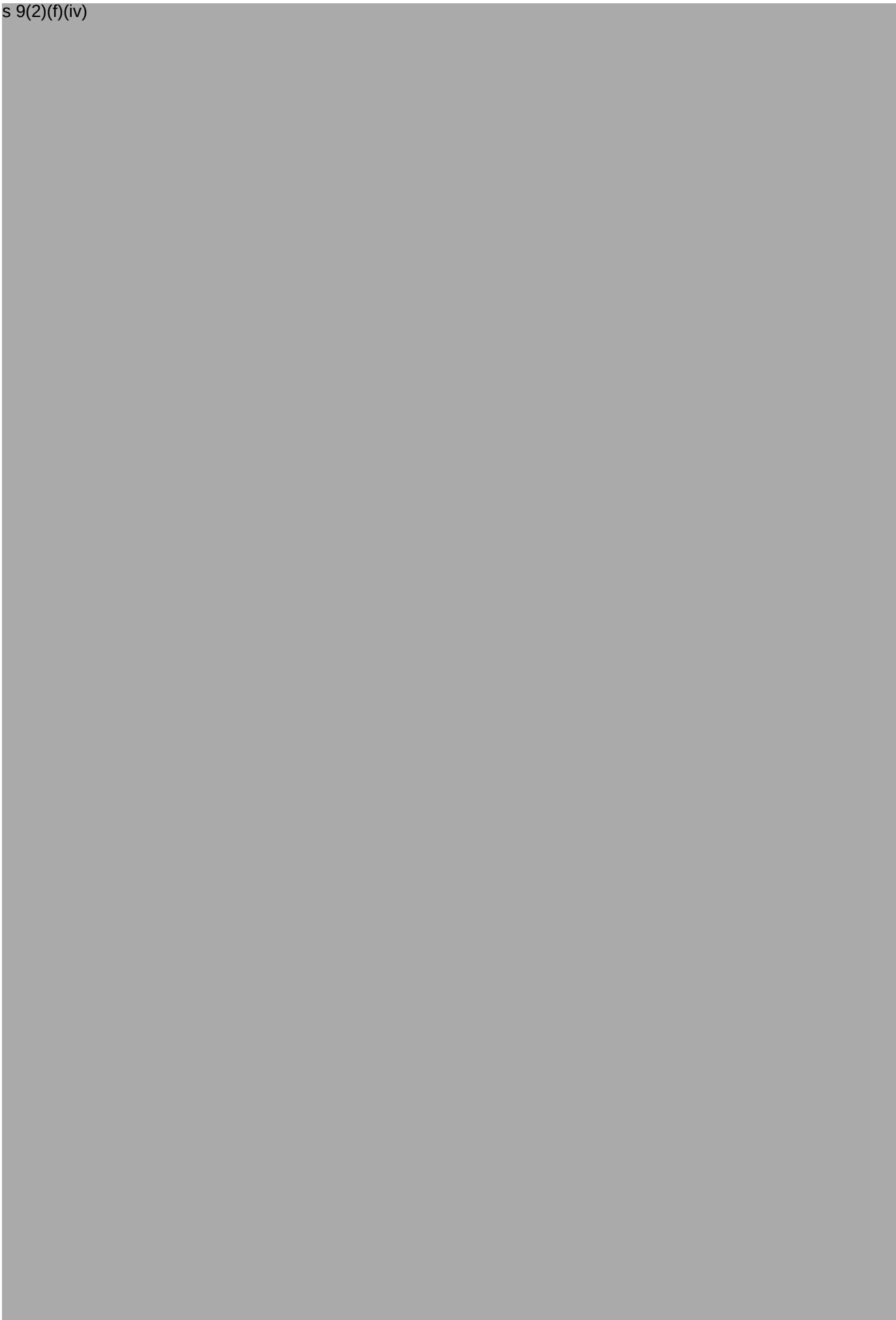
Annex A – Current NPS-UD Intensification Policies

Policy	Where	What
3(a)	In city centre zones	Building heights and density to realise <u>as much development capacity as possible</u> , to maximise benefits of intensification
3(b)	In metropolitan centre zones	Building heights and density to reflect demand in those locations, and in all cases building heights of <u>at least 6 storeys</u>
3(c)	Within at least a walkable catchment of the following: • existing and planned rapid transit stops • the edge of city centre zones • the edge of metropolitan centre zones	Building heights of <u>at least 6 storeys</u>
3(d)	Within and adjacent to neighbourhood centre zones, local centre zones, and town centre zones (or equivalent)	Building heights and density <u>commensurate with the level of commercial activity and community services</u>

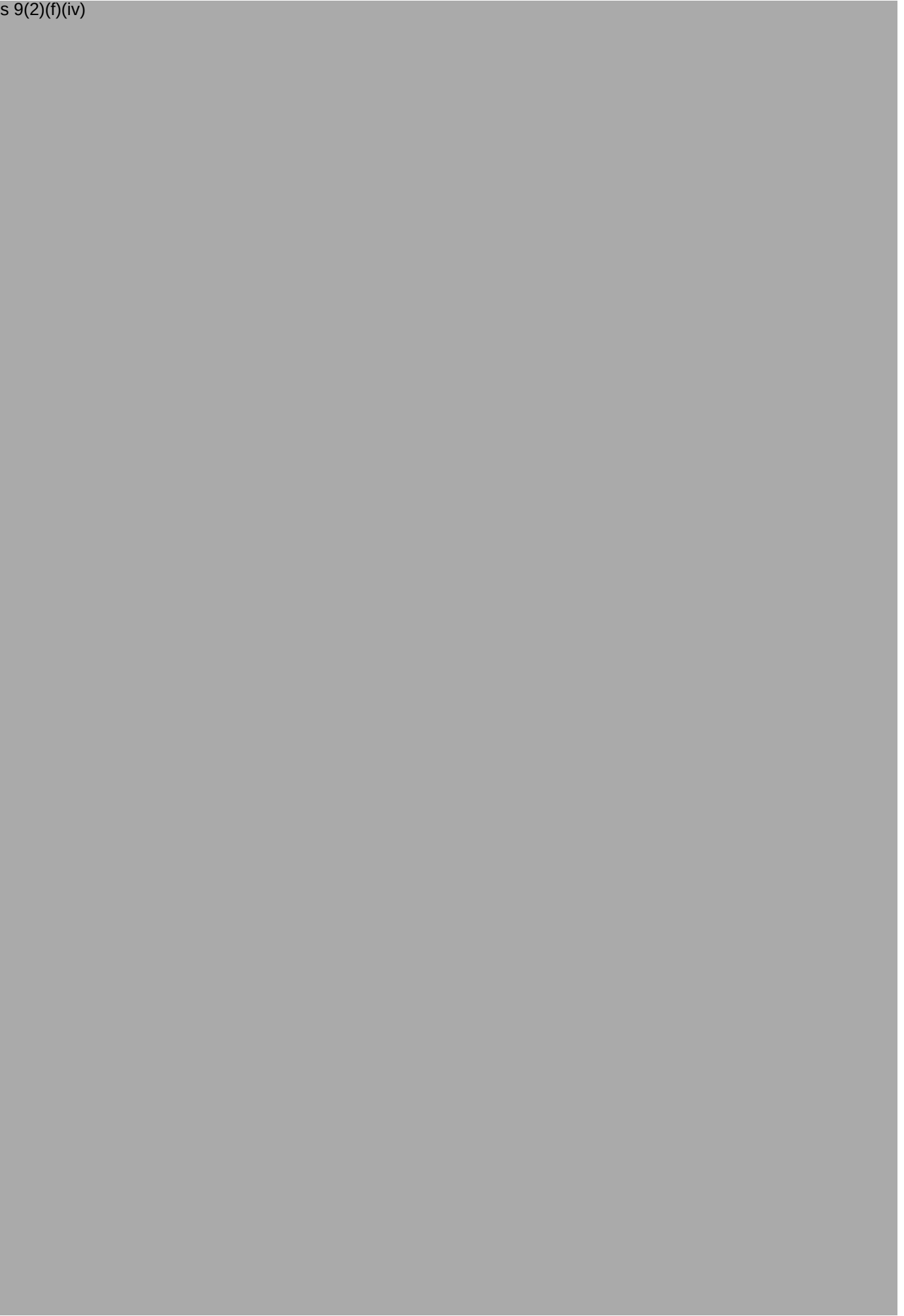
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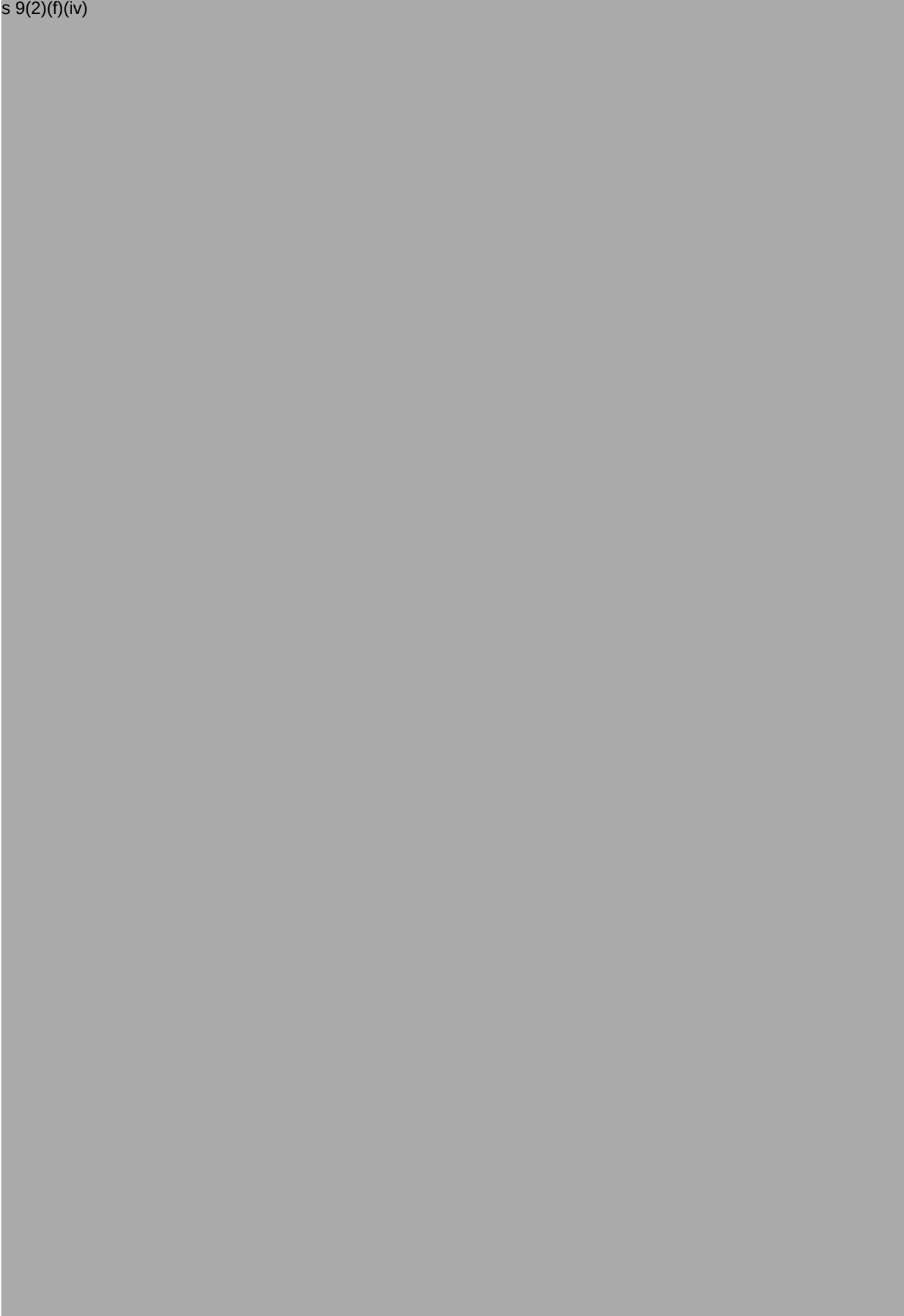
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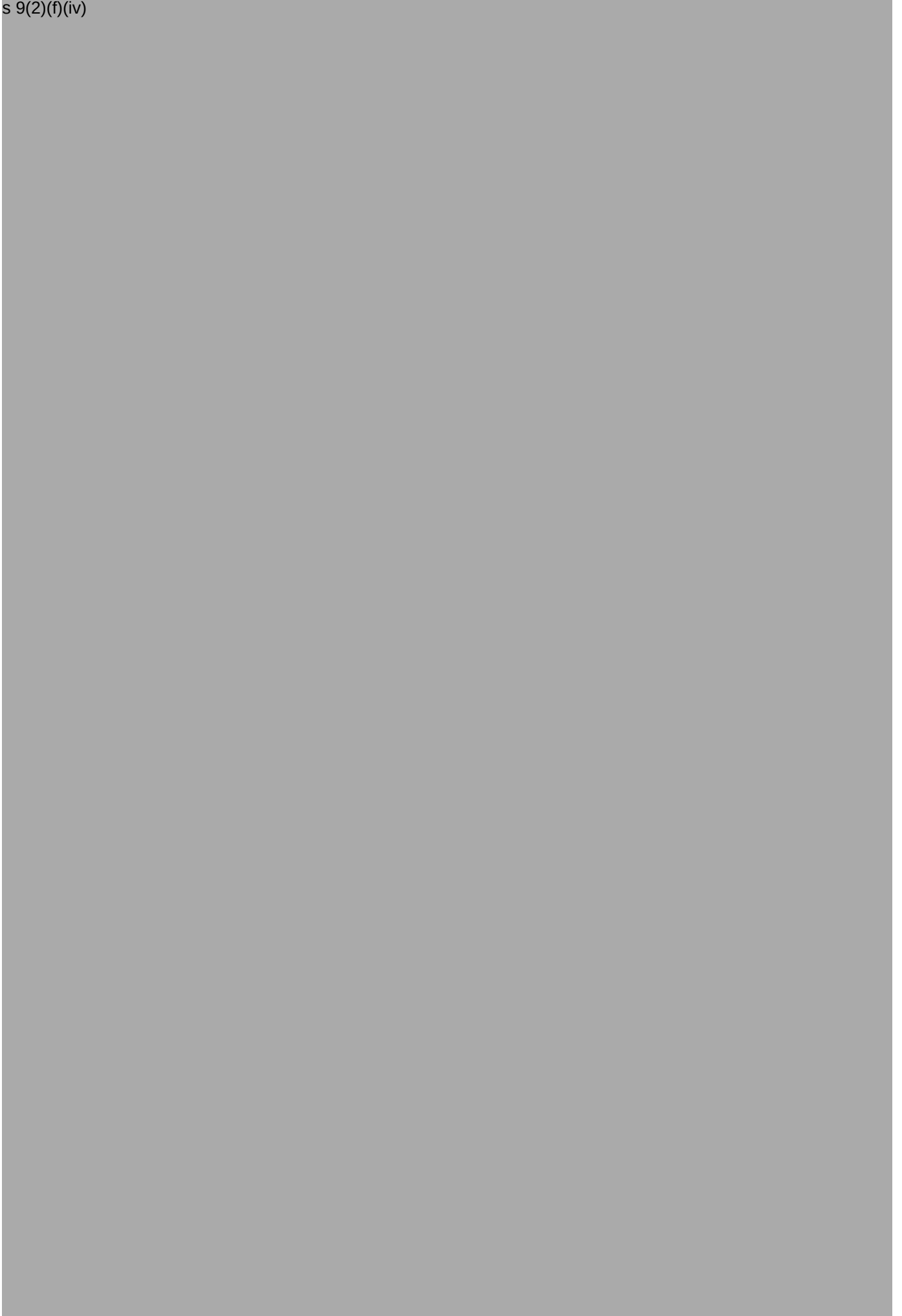
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Annex C – Maps of special character areas

Figure X – Maps of special character areas in Wellington (IHP recommendations on left, Wellington City Council recommendation on right)

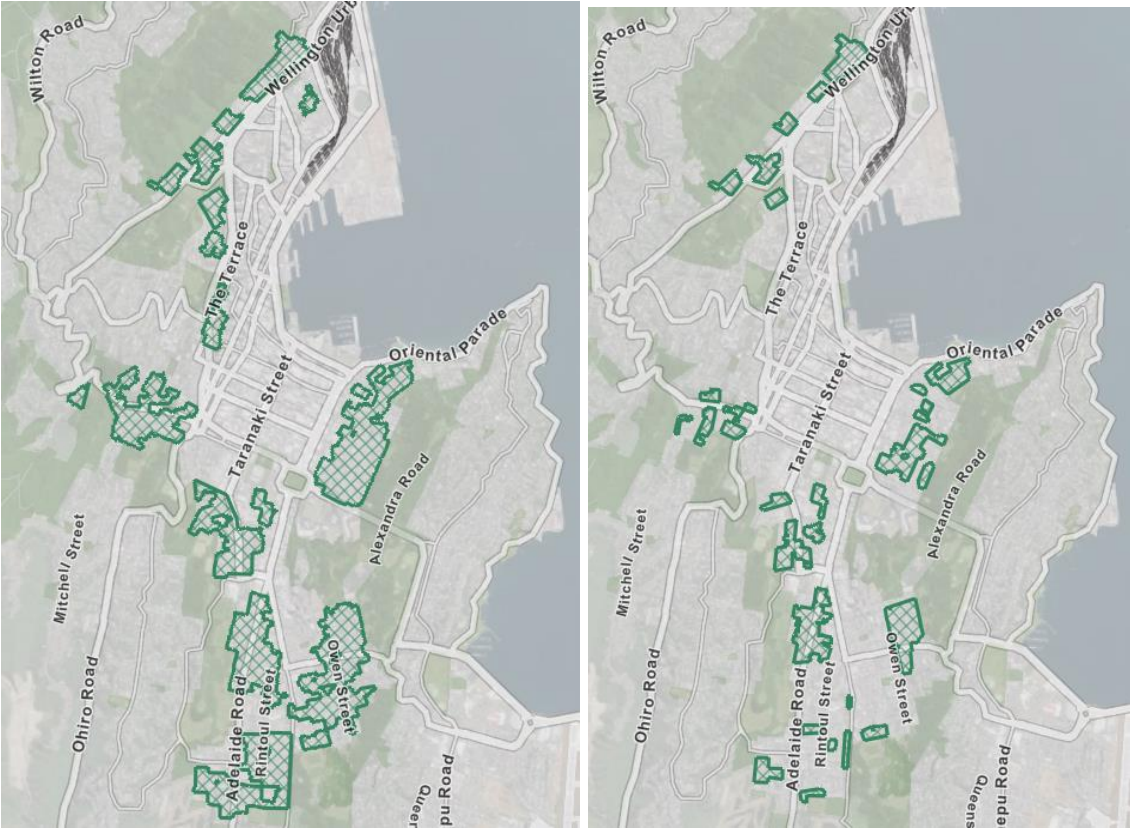
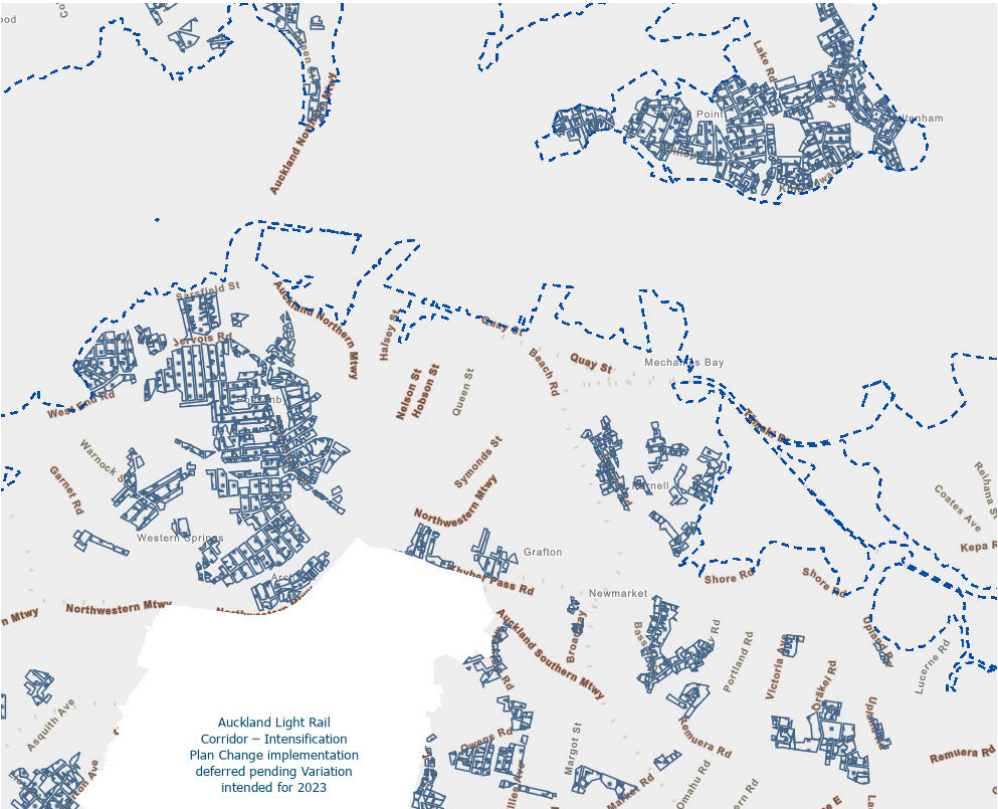


Figure X – Partial map of proposed special character areas in Auckland



Annex D: Other NPS-UD Issues

Issue	Description
Activity status and notification requirements	The NPS-UD provides that development capacity is plan-enabled and zoned for housing only if it is a permitted, controlled, or restricted discretionary activity under the relevant district plan. Further work is needed to understand how councils are translating the NPS-UD intensification requirements into district plans, and whether controlled or restricted discretionary activity status are acting as a barrier to the type of development intended to be enabled by the NPS-UD.
Viability of 6 storey developments	The NPS-UD requires council to enable at least six storeys in certain locations. Most councils treat this as a limit, rather than a minimum. We have heard anecdotally that in some areas 6 storey developments may not be economically viable.
Urban design guidelines	Urban design guidelines are commonly used by councils. Some are mandatory (i.e. have regulatory effect) and some are guidance only. Mandatory guidelines, depending on their design, can prohibit development or impose material additional cost or delay.
Council tiers	The classification of councils between tiers 1, 2 and 3 affects their requirements under the NPS-UD. There is a case for reconsidering whether the current classification is correct. For example, the Infrastructure Commission considers that Queenstown-Lakes District Council should be classified as a Tier 1 council rather than a Tier 2. Relatedly, Tier 3 councils are not listed in the NPS-UD and there are some grey cases of councils that have or have-not self-identified as being tier 3. Unlike for tier 1 and 2 councils, the NPS-UD does not impose specific timing requirements on when tier 3 councils need to give effect to the NPS-UD.



Memo: Alternative Minimum Density Standards

To	Housing Expert Advisory Group
From	Nicole Rennie, Senior Advisor, Urban Development Enablement
Approved by	Fiona McCarthy, Manager Urban Development Enablement
Purpose	To provide information to prompt discussion on possible alternative minimum density standards.

Background

1. The Medium Density Residential Standards (MDRS) created a minimum level of density in residential areas across the country. The Government has committed to making the standards optional.
2. The Going for Housing Growth manifesto describes the reasoning:
The new Medium Density Residential Zoning (MDRS) rules were a well-intentioned attempt to add to critically needed housing supply, and to liberalise planning rules. However, they have not proven fit-for purpose in all communities, and it is clear that communities want more flexibility and discretion over where housing growth takes place.
3. Community sentiment is cited as not aligned with the MDRS. However, this does not mean some of the benefits of the MDRS cannot be retained through some other mechanism.

How would retaining a minimum level of density support the outcomes of Going for Housing Growth?

4. An alternative minimum density standard could provide a complement to the Housing Growth Targets by retaining a mandated level of density in residential areas (beyond current NPS-UD intensification requirements). This could provide more confidence in the quantity and location of development capacity enabled than would be achieved from simply relying on high-level development capacity requirements.

What could an alternative minimum level of density look like?

5. There are two main categories of alternative minimum density standards:
 - a. Extending the scope of NPS-UD provisions, e.g. expanding current requirements in the NPS-UD for where intensification is required (see separate briefing on proposed NPS-UD intensification improvements)



- b. Altering and retaining an alternative mandatory version of the MDRS standards (while making the current MDRS optional) such as Height in Relation to Boundary (HIRB), setback/yard requirements, or unit numbers (options discussed in this memo).
6. Any of these options could also be complimented by a system such as street level opt-outs, or giving some degree of flexibility to councils within a set of standards.

The Coalition for More Homes Alternative Medium Density Standards

7. The Coalition for More Homes prepared alternative medium density standards in November 2021. These were focused on avoiding “sausage” flats – lines of houses orientated along the depth of the site, with shared side walls – and instead reorienting development to the front of the site. Over time, this may lead to more perimeter blocks, strengthening street activation, safety and privacy, as well as efficiently use of the site area.

STANDARD	MDRS	COALITION FOR MORE HOMES
Dwellings Permitted (Max)	Three (permitted)	Five permitted 6 or more restricted discretionary
Maximum Height	11m + 1m	11m + 1m
Height in Relation to Boundary	4m high at site boundary + 60 degrees	First 20m from frontage: N/A Beyond 20m from frontage: 3m high + 45 degrees
Setbacks	1.5m at the front boundary 1m at the side boundary 1m at the rear boundary	0m of the front yard boundary 0m of the side yard boundaries within 20m of the front boundary 1m of the side yard boundary beyond 20m of the front boundary 1m of the rear boundary
Building Coverage (maximum)	50% coverage of the site	50% coverage of the site
Impervious Surface (maximum)		60% coverage of the site
Outdoor living space (min) (d) – dimension (GF) – ground floor (UF) upper floor	20m ² for house at ground floor, with a minimum dimension of 3m 8m ² for houses with no ground floor per floor, with a minimum dimension of 1.8m	20% of the unit size for house at ground floor, with a minimum dimension of 3m 15% for houses with no ground floor per floor, with a minimum dimension of 1.8m
Outlook space	4m x 4m space from the principal living room From all other habitable rooms: 1m x 1m	36 x 4m space from the principal living room From all other habitable rooms: 1m x 1m
Green space	20% of the developable site with grass or plants	One of the following: Minimum of 35% landscaped area



		1 tree per unit with a 3m x 3m unobstructed area to allow the tree to achieve maturity. If the development keeps an existing mature tree within the design then this can be traded in place of a tree required under this standard. A 6 metre setback from the rear boundary. If multiple neighbouring developments choose this option, it will create a core open space running through the centre of the street block between sites, further improving privacy outcomes
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Changing number of dwellings allowed per site

8. Changing dwellings permitted per site to two rather than three may be more palatable for communities.
9. However, this could also lead to less efficient land-use and it may not be profitable to replace one house with only two.
10. Note: the proposed changes to allow “granny flats” or small dwellings on sites may go some way to retaining this type of density, though with a limited floor size.

Graduated Density Zoning (as discussed by Malcolm McCracken)

11. Malcolm McCracken (and others) have discussed the benefits of Graduated Density Zoning (GDZ). Lower Hutt adopted a version of GDZ in 2019.

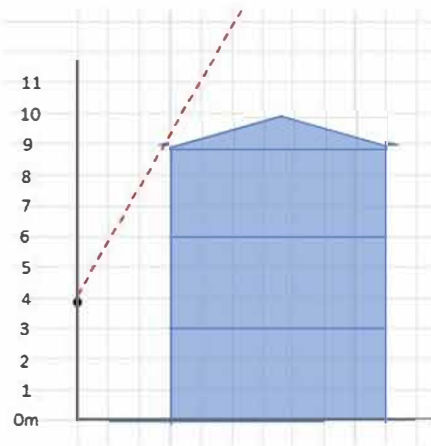
“GDZ is where, when a developer buys neighbouring sites totalling more than the set threshold, e.g. 1400m squared, they can automatically build to a higher density.”
(McCracken)
12. The benefits of GDZ include enabling greater choice and better management of externalities of density. A larger site area allows for more options for design, including outdoor space.



Other possible changes to HIRB standards

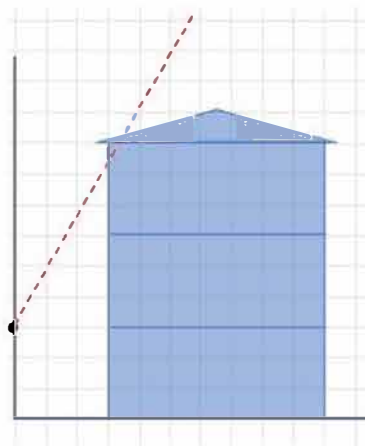
13. Change HIRB measurements could mitigate community concerns about sunlight loss.

Height in relation to boundary (HIRB)
Status quo
= 4m w 60 deg.



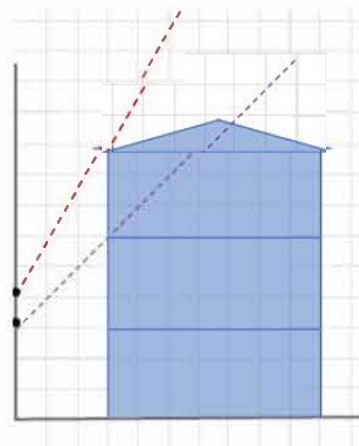
--- 60 deg. angle

Height in relation to boundary (HIRB)
Option 1: Reduced HIRB
= 3m w 60 deg.



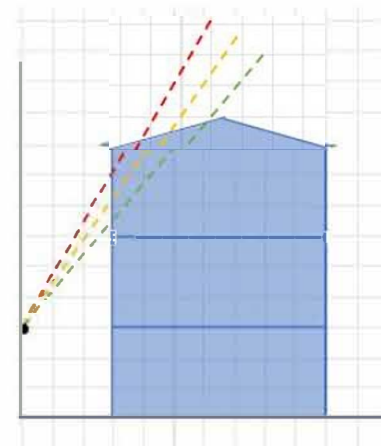
--- 60 deg. angle

Height in relation to boundary (HIRB)
Option 2: Stepped HIRB
= 4m and 60 deg. for first 20m of site from
road boundary and 3m and 45 deg. for
remainder of site



--- 60 deg. angle
--- 45 deg. angle

Height in relation to boundary (HIRB)
Option 3: Variable HIRB depending on
the boundary orientation
(north/south/east/west)
= 3m and an angle of between 50 to 60
degrees



--- Northern boundary (60 deg.)
--- Eastern and western boundary (55 deg.)
--- Southern boundary (50 deg.)

Blue house = 3m side yard setback

Test drawing v6a
28/06/23(AW)
Not to scale
Disclaimer—produced in powerpoint



Description of the option	Impact on housing supply, affordability and choice	Other comments
Option 1: Reduced HIRB measurements = 3m + 60 degrees. All boundaries - except road boundary, existing or proposed internal boundaries or existing or proposed common walls.	This would have a minor impact on housing capacity, potentially requiring a slight reduction in the size of dwelling to accommodate a third storey.	Slightly less overshadowing of neighbouring properties than the status quo. The 3m + 60 degrees angle is the same as what Christchurch City Council has proposed for their northern boundary.
Option 2: Stepped HIRB measurements = 4m + 60 degrees (from the road boundary), 3m + 45 degrees for remainder of site. Current HIRB for the first 20m of the site (and/or from a transport corridor), reducing to smaller HIRB for remaining site. This would mean smaller dwelling form to the rear of sites.	For front sites there would be little to no impact as the bulk of buildings would be to the front of the site. For rear sites this may impact the number of storeys that can be constructed as they would likely not be within 20m of the road boundary and therefore would be required to use the 3m and 45 degree standard.	Would still allow for three storey buildings but improve amenity for neighbouring sites. Can create better outcomes for outdoor space, connection with interior primary spaces, light, sunlight and dominance over neighbours as the bulk of the development can be located to the front of the site. Would increase sunlight access to neighbours backyards and can reduce bulk and dominance at the rear of sites. Using the front of a site for development can be a more efficient use of land and encourage different and new housing typologies, so this introduces more choice than option 1 or 3.
Option 3: Variable HIRB measurements depending on the boundary orientation (north/south/east/west) Eg, 3m + between 50 to 60 degrees (as Christchurch has proposed in its Sunlight Access Qualifying Matter) all are smaller measurements than current HIRB. (Note the diagram above shows Christchurch's measurements on each boundary.)	Small impact – Christchurch estimated this would reduce overall development capacity by 5% compared to the current MDRS settings.	Less sunlight overshadowing of neighbouring properties than option 1 and the status quo. This option is a more tailored approach to height in relation to boundary. A variable recession plane can allow for flexibility on the site and allows for dwellings to be constructed in a way that would gain the most solar access within the site.



Allowing street-level opt-outs

14. Any of the options above could be complemented by enabling community opt outs.
15. Houston has a system which allows residents of small geographic areas to opt out of citywide zoning rules, and of changes to those rules. We understand that this opt-out system has helped maintain political and societal consensus in favour of generalised intensification rules. Legislation allowed local homeowners to petition the city to introduce a special minimum lot size (SMLs) for their street or area. The petition needs to attract 51 percent support from local homeowners, or less than 51 percent support and no objections against.
16. While we see some pragmatic benefits of allowing street-level opt-outs, we have some reservations relating to:
 - a. How this would work in practice, including how it would be reflected in district plans and the scale of the grouping that would opt out (for example, would all residents of Dominion Road be considered as one 'street' for the purposes of this policy?)
 - b. Equity concerns, in that it may lead to better-organised communities having the ability to avoid localised growth without needing to compensate for the resulting costs.

From: [Stuart Donovan](#)
To: [David Hermans](#)
Cc: [Marko Garlick s 9\(2\)\(a\)](#) [McCracken, Malcolm s 9\(2\)\(a\)](#) [Eric Grampton, Counsell, Kevin s 9\(2\)\(a\)](#) [Stuart Shepherd](#)
Subject: Third HEAG Workshop - 9 May 2024
Date: Wednesday, 8 May 2024 1:24:58 am
Attachments: [Workshop 3 – Preliminary comments from HEAG.pdf](#)

Hi David (cc HEAG members),

Please find attached some preliminary comments from HEAG members on the material for workshop 3.

Some notes:

- Not all HEAG members were in a position to contribute to these comments
- We did not reach consensus on all these points, especially w.r.t. voluntary opt outs.
- I've tried to capture different viewpoints, although this is sometimes hard to do well
- We weren't completely sure of some interactions, e.g. between
 - existing NPS+MDRS
 - amended NPS
 - MDRS opt-out
 - amended MDRS

For this reason, we suggest treating these comments as even more preliminary than normal. Nonetheless, we hope they provide some useful insights into our general views that we can unpack on Thursday.

Kind regards,
Stuart & HEAG

Workshop 3 – Preliminary feedback from the Housing Expert Advisory Group (“HEAG”) for the purposes of discussion

Document	Reference	Comment
Workshop 3 - Memo - Alternative Medium Density Standards	Point 2: GfHG manifesto	Further to the earlier discussion of sub-TA level housing growth targets, HEAG notes that the GfHG manifesto refers explicitly to communities wanting “ ... more flexibility and discretion over where housing growth takes place. ” We interpret “more flexibility” as implying that the MDRS opt-out should be less prescriptive with respect to the location of the enabled development than the MDRS. In our view, more flexibility is nonetheless compatible with sub-TA level targets – as discussed in the previous workshop. That is, an MDRS opt out that prescribes sub-TA level targets would, in principle, be compatible with the desire to provide greater flexibility.
Workshop 3 - Memo - Alternative Medium Density Standards	Point 3: Community sentiment	The HEAG welcomes further discussion with HUD on their perceptions of community sentiment and how they relate to specific aspects of the MDRS legislation. We note that the MDRS legislation comprises several somewhat distinct elements that includes but are not limited to: • Enabling “three-storey” development (11m + 1m height limit), • Defining the development of three dwelling units as a “permitted activity”, and • Requiring more permissive (“non-notified”) consenting processes for residential developments more generally. Understanding community sentiments on these different elements, and how they can and could be modified in a way that continues to enable development, would seem to be important for designing the MDRS opt out to best support the GfHG agenda. Community opposition to the three-storey height limit, for example, seems likely to be linked to traditional externalities, like loss of sunlight, as evident in Christchurch, which may point to changes to setbacks and/or Height in Relation to Boundary (HIRB) rules. In contrast, community opposition to three dwelling being a permitted activity seems more likely to be linked to effects on infrastructure. Moreover, these sentiments may vary between communities, such that designing the MDRS opt out might combine policy changes to several areas. Rather than being a reaction to traditional externalities or infrastructure concerns, the HEAG is concerned that some negative community sentiment towards the MDRS simply reflects people’s pecuniary interests, i.e., their concerns that an increased supply of housing will lower house prices, with subsequent implications for their wealth. The HEAG is of the view that trying to accommodate such sentiments would directly undermine GfHG objectives and the Minister’s stated objectives, e.g. for housing prices to fall. For this reason, the HEAG considers it important that the MDRS opt out is explicitly designed to provide more flexibility to communities, e.g. to manage externalities and infrastructure, without compromising the contribution of policy to improved housing affordability. From an economic perspective, HEAG notes that if dwellings are in shorter supply than floor space in the areas affected by MDRS, then reducing the three-storey height limit might be expected to have lower costs than reducing the number of permitted dwellings from 3 to 2, and vice versa. We are concerned, however, that reducing height limits represents a tighter constraint on housing supply in areas of high demand given interactions with other elements of the MDRS. Specifically, reducing the three-storey height limit represents a “hard cut” in development capacity. On the other hand, reducing the number of dwellings from 3 to 2 represents more of a “soft cut” in development capacity, because – in the absence of other policy changes – proposed developments of 3 or more dwellings would still be subject to a non-notified consenting process. Under this process, Councils’ ability to impose conditions is constrained, e.g. to negotiating infrastructure and development contributions. HEAG also agrees with the need to consider other related policy changes. A broader shortage of dwelling units, for example, might be partly addressed by enabling attached dwelling units (“ADUs”), or “granny flats”, as permitted activities. On balance and for these reasons, the HEAG suspects that reducing the number of dwellings from 3 to 2 is likely to impose smaller economic costs than reducing the height limit, especially if this change was combined with 1) the retention of non-notified consenting processes for residential developments of 3 or more dwellings and 2) defining attached dwelling units as a permitted activity in residential areas. HEAG welcome further discussion on these points. <i>EC: Note that street-level opt-outs could be a way of achieving the intention of flexibility around MDRS. As specific concerns with MDRS could vary considerably, street-level could be the right level, with Council then ensuring that the result maintains at least as much development potential as MDRS would have when viewed across the sub-TA level.</i>
Workshop 3 - Memo - Alternative Medium Density Standards	Point 4: Alternative minimum density standard	HEAG agrees that alternative minimum density standards could complement the Housing Growth Targets. Moreover, we see alternative minimum density standards as a complement to, rather than a replacement for sub-TA level targets. Specifically, whereas minimum density standards would ensure some gradual density was enabled everywhere, sub-TA level targets would prevent Councils from ruling out development in the most desirable locations – both of which seem desirable.
Workshop 3 - Memo - Alternative Medium Density Standards	Point 5: a) Extending scope of NPS-UD provisions or b) Alternative MDRS	The HEAG welcomes further discussion with HUD on how the different legislative pieces might fit together and, in turn, interact with implementation timelines. Councils that have implemented NPS-UD + MDRS, for example, could 1) make use of an expedited plan change process to implement the amended NPS-UD provisions and 2) decide whether to optout of MDRS by meeting associated requirements by some future timelines (NB: These may be the same as above, or different)

Document	Reference	Comment
		Alternatively, Councils that have not yet implemented NPS-UD + MDRS provisions may be required to implement either 1) amended NPS-UD + current MDRS or 2) amended NPS + meet MDRS optout conditions. Given that all councils will implement the amended NPS-UD, we suggest that is given a high priority. We also suggest that the Amended NPS-UD plus original MDRS be treated as the backstop for Councils that have not yet implemented the provisions. The HEAG considers that a modified, or pared back, MDRS does not seem to align with the GfHG agenda and would seem to incur high risks for relatively little gain.
Workshop 3 - Memo - Alternative Medium Density Standards	Point 6: Street level opt-outs	The HEAG strongly supports further investigation of policies on voluntary “street-level” opt-outs/ins, while acknowledging that there are significant questions about implementation that are likely to take considerable time to work through and that may be better considered as part of comprehensive RMA reforms. HEAG members noted the following observations about opt-outs/ins: • Broadly similar mechanisms have been used to great success in a wide range of jurisdictions, such as Japan, Houston and Israel. • Opt-outs/ins is a market-based mechanism that may be expected to respond to scarcity. Spot upzoning in a very restrictively-zoned city will deliver huge uplift in the affected properties. Over time, this should allow scarcity rents to be bid down. Conversely, properties that opt-out forgo a huge uplift, signalling the value they place on existing zoning, just like how covenants in some greenfields can lift the value sale prices. Importantly, homeowners only need to understand that their decision to upzone will deliver them financial gains, not the mechanism for supply and affordability at a city-level. In some ways, opt-ins can be seen as a voluntary and collective process for enabling a private plan change process for brownfields lands. • Voting requirements are essential to solve the holdout and transaction problems that prevent traditional covenants from being used in similar ways. The nth neighbour knows that as consensus is needed from all parties, they can hold out to extract all the surplus of the rezoning – all parties knowing this prevent this from occurring. Transaction costs from negotiating simultaneously between different landowners is also fraught. Indeed, the modern zoning system was arguably created to avoid such transaction costs. • Opt-outs/ins respond to heterogeneous preferences for density and its external effects. Whereas some people perceive density as having positive effects, others do not. As preferences for living closely differs over a city, allowing pockets of homeowners who dislike the density to forgo an uplift – and vice versa – not only respects this variation in preferences (which otherwise are disregarded in top-down plan change processes), but also prevents vocal pockets of homeowners from directing their ire towards decisions on zoning capacity made by the city at large. • Opt-outs/ins provide a contestable zoning process to councils. Not only do Councils suffer from perceived and real infrastructure issues, but their political structures lends themselves to being captured by a highly motivated minority that is unrepresentative of the population at large. Street level zoning allows decisions to bypass traditional plan change processes. • One option would be to enable areas only to opt-in to higher density, rather than opt-out. In this system, Council policies become something of a floor under development potential, which can be collectively and voluntarily increased. Opt-ins would seem to be complemented by more flexible and responsive infrastructure funding and financing mechanisms, such as targeted rates. • Defining the boundaries of the areas subject to opt out / in proposals is an important practical challenge, while other details – such as boundary effects, voting rights, and design codes – would need to be worked through carefully, possibly building from work by the Policy Exchange.
Workshop 3 - Memo - Alternative Medium Density Standards	Point 7: Coalition for More Homes	The HEAG considers that the alternative medium density standards proposed by the Coalition for More Homes has several attractive features, most notably it enables more dwellings and includes rules on setbacks and height-in-relation-to-boundary that would encourage the bulk of the development to be positioned towards the front of the site, thereby reducing impacts on neighbouring properties, enabling more effective site utilisation, and helping to activate street frontages. However, per the earlier comments on community sentiments with respect to externalities vis-à-vis infrastructure vis-à-vis pecuniary concerns, HEAG is unsure of the extent to which somewhat subtle modifications to rules would mollify concerns about alignment with community sentiments. HEAG is unclear of the merits of some of the standards proposed by CfMH, such as restrictions on impervious surfaces and minimum outdoor living space.
Workshop 3 - Memo - Alternative Medium Density Standards	Points 8—10: Changing the number of dwellings	Per our previous comment in response to Point 3 (“Community sentiment”), HEAG considers that a reduction in the number of dwellings from 3 to 2 would be preferable to a reduction in height limit. We also note that even with this reduction, developments of 3 or more dwellings would still be subject to a non-notified resource consent pathway in which Council’s have limited grounds for imposing conditions. As such, making two dwellings per site a permitted activity, rather than three, is more of a soft constraint on development. We also agree that the effects on supply would be partly mitigated by making ADUs permitted activities.
Workshop 3 - Memo - Alternative Medium Density Standards	Points 11—12: Graduated density zoning	The HEAG is favourably disposed to the idea of graduated density zoning (“GDZ”) to incentivise the amalgamation of parcels of land and enable more comprehensive redevelopment that supports both more housing and better community outcomes. If such a policy was considered to have merit, then our preference is to incorporate it into the amended NPS-UD rather than the MDRS opt-out.

Document	Reference	Comment
		The HEAG is concerned about the risk that uptake of GDZ is sensitive to the chosen threshold, which could interact with the prevailing urban form in unintended ways. For example, because parcel sizes tend to increase towards the urban periphery, developers may more readily meet a GDZ area threshold by amalgamating fewer larger properties in less central locations. As such, a high area-based threshold may have the effect of pushing development towards the urban fringe. Potential ways to mitigate this risk might include: • Specifying GDZ thresholds based on the number of parcels that are being amalgamated, rather than their area, or some combination of this; and/or • Developing more graduated GDZ provisions that provide incremental incentives for amalgamation, rather than a single floor. The HEAG is interested in understanding the rationale for advancing GDZ as a means of managing externalities. We understand the effects of shading, for example, are currently managed via a combination of set-backs, HIRB, and height limits. The benefits of amalgamating sites will already internalise the benefits of reducing the effects of rules on set-backs and HIRB, such that the primary additional benefit of GDZ seems likely to originate via increases to the allowable height limit. Although larger sites allow for better internal configurations, e.g. for circulation and car-parking, these benefits would also seem to be internalised to developments. To finish, the HEAG notes that policies on GDZ may potentially interact with and complement previously discussed policy changes that seek to facilitate private plan changes and voluntary opt-outs/ins. The HEAG welcomes further discussion with HUD on these points.
Workshop 3 - Memo - Alternative Medium Density Standards	Point 13: Changes to HIRB rules	The HEAG understands that community concerns have been a major rationale for community opposition to MDRS in some places, notably Christchurch, which could potentially be mollified via changes to HIRB. That said, the HEAG considers that changes to HIRB rules could have large effects on development capacity and be somewhat difficult to communicate. We suggest that changes to HIRB in the NPS + MDRS are avoided unless considered necessary.
Workshop 3 - Memo - Mixed-use and NPS-UD Improvements	Point 1: Purpose of advice	The HEAG notes that the Minister has also committed to ensuring that the proposed NPS amendments and MDRS opt outs enable more, rather than less housing capacity, than is allowed under current policy settings. We think this is important context.
	Point 2: Flexibility of MDRS optionality	The HEAG refers to our previous point on our interpretation of “... more flexibility” as distinct from complete flexibility, and interactions s 9(2)(f)(iv)
	Point 3: Potential to improve and extend NPS-UD provisions	The HEAG agrees with the potential to improve the intensification provisions of the NPS-UD, including but not limit to provisions that seek to enable an increased diversity of land uses (“mixed use”). We are open to using the NPS-UD to enable community services. In doing so, we note that allowing more mixed use development in areas affected by NPS-UD provisions could have either positive or negative effects on the quantity of housing that is enabled, depending on whether non-residential activities complement or substitute for residential activities.
	Point 4: Scope of advice	Noted
	Point 5: GfHG manifesto commits to mixed use	Noted
	Point 6: Benefits of mixed use	The HEAG agrees that enabling mixed use development may contribute to substantial benefits, including but not limited to: • <i>Accessibility</i>, both to services and employment • <i>Transport costs</i>, via shorter journeys and potentially mode shift • <i>Competition</i>, by reducing the costs of floor space and reducing barriers to entry • <i>Productivity</i>, by helping to realise agglomeration economies in production and consumption • <i>Safety</i>, by supporting more diverse activities that facilitate passive surveillance

Document	Reference	Comment
	Point 7: Costs of mixed use	The HEAG accepts the potential exists for nuisance effects, although would suggest: - Land use policies that require the separation of land use effects are a relatively ineffective and expensive way to manage nuisance effects, especially when the perceived effects are highly heterogeneous across the population. - In the latter case, residents can self-select into locations that best reflect their underlying preferences. For example, people that prefer quiet neighbourhoods can seek them out – with mixed use areas instead populated by residents who are less affected by noise. - For this reason, we would suggest ensuring that policies first seek to manage nuisance effects via effective and direct policy mechanisms – e.g. requirements insulation – with the need to separate land uses treated as something of a last resort, when all else fails. - We also note that the National Planning Standards contained useful directions on what could be considered as an effect, which may interact with the discussion of nuisance effects. The HEAG, for example, would support policies that sought to remove the demand for parking as an effect. - In some jurisdictions, notably Japan, zoning codes do not require separation of uses but rather allows non-residential activities by-right up to a benchmark level that is considered commensurate with generally acceptable levels of nuisance.
	Point 8: Typologies of mixed use.	Per the previous point, the HEAG suggests starting from the presumption that residential, retail, and commercial activities can co-exist. Although we note that some forms of commercial activities, such as large format retail, may have negative effects on amenity, we sense these effects are better managed via other rules and policies. Policy can specifically identify those land use activities that are considered to fall outside of permitted “mixed land use” activities.
	Points 9-12: Current approaches to mixed use	The HEAG considers that the supply of land for commercial activities is to some extent an unrecognised problem in New Zealand’s cities and towns (and internationally, too). The prescriptive zoning approaches, such as centres hierarchies, which have been adopted by many local councils seem likely to be reinforcing the market power of incumbent landowners / businesses and thereby undermining competition, productivity, employment, quality and diversity of goods and services, and suppressing real wages. By allowing for arbitrage between residential / retail / commercial land uses, the widespread application of mixed use zoning could potentially act as a safety valve in situations where Councils have not zoned for sufficient capacity.
	Points 13—14: Focus of changes and likely effects	The HEAG agrees with this focus and note that land use provisions are only one consideration in whether mixed use activities are, in fact, commercially feasible. Nonetheless, and as noted above, we suggest that enabling mixed land use can help to support competitive urban land markets. The briefing memo notes that the focus of “national direction on mixed use should be on enabling commercial and community activities in areas that are currently predominantly residential, rather than on enabling residential activities in areas that are predominantly commercial.” The HEAG welcomes further discussion on this point. We also note that an exception might be made for commercial (non-industrial) zoning within NPSUD walking catchments. If this existing zone provides many amenities and daily needs, this only strengthens the case for enabling residential in the area given public transport access. An example, of where existing commercial zoning exists that would be well suited to increased residential development is the northern catchment of Constellation Station on Auckland’s North Shore which is zoned General Business. This is one of the best-connected places in the North Shore by public transport and the existing zoning supports a supermarket, medical facilities, eateries, banks and employment. However, in the zone residential activities are non-compliant. We note the risk of reverse sensitivity in such cases.
	Points 15—16: Complexity of planning policies and high level options.	Based on the experience with the first iteration of the NPS-UD + MDRS, the HEAG recommends policy settings are as prescriptive as possible. For example, our preference is that mixed use zoning policies presume all residential / retail / commercial activities are permitted as of right, at least up to a permitted maximum size, with exceptions then listed by policy with explicit reference to the nuisances that are being managed. By listing the specific land use activities that can be subjected to more restrictive consenting pathways, policy would provide little wiggle room for Council to negate the intent of the policy. And where activities are not permitted due to potential implications for infrastructure, then HEAG suggests that as many as possible are instead defined to be non-notified. The latter is analogous to current the MDRS treatment of residential developments of 4 or more dwellings, whereby community input is precluded and the grounds for council conditions are limited.
	Points 17-20: Enabling mixed use	The HEAG agrees with the suggestion to enable mixed use in the areas subject to NPS-UD provisions on intensification, while noting that other amendments to the NPS-UD may expand the affected areas, e.g. definition of a frequent transit layer. We are sympathetic to the suggestion of including a baseline direction for Councils to enable mixed use beyond these intensification areas, although are somewhat unsure of the extent to which Councils will engage with this direction. The HEAG notes that many Councils, for example, have chosen to interpret the NPS-UD provisions that require a <i>minimum</i> of six storey height limits around rapid transit stations as a <i>maximum</i>. As such, the HEAG is unsure of the extent to which Councils will respond to broad-based directions in the absence of clear tests of reasonableness. We welcome further discussion with HUD on how such baseline direction could be effectively implemented, e.g. by way of a specific reasonableness test.

Document	Reference	Comment
	Points 21—23: Trade-off between prescription and flexibility.	As noted above, the HEAG suggests starting from the presumption that all residential / retail / commercial activities must be permitted by right up to some defined baseline level, with exclusions then noted explicitly in policy. Such an approach is analogous to that used with effect in Japan. We appreciate the trade-off between prescription and flexibility, although wonder whether this trade-off can be effectively managed via consultation with local councils. Under the latter, Councils would have the opportunity to provide feedback to HUD on which activities should be permitted versus non-permitted, which HUD can consider in finalising the NPS-UD provisions accordingly.
	Points 24—25: Options A vis-à-vis B	As noted in earlier points, the HEAG would prefer if these options are reframed such that all residential / retail / commercial / community activities are presumed to be permitted, with exceptions noted explicitly. In our view, and noting the previous point, we consider that this would shift the onus onto local councils to submit on the activities that they consider should be non-permitted.
	Points 26—31: Intensification under Policy 3(d)	HEAG supports the general desire to strengthen the intensification provisions under Policy 3(d) and expanded the areas subject to intensification. HUD should consider amending the policy wording to (insert in italics) relative demand for housing and business use, <i>with regard to land prices per square metre</i> ".
	Point 32: Materially expanding the areas subject to intensification	Stepping back, the HEAG notes that there are two high-level policy margins through which NPS-UD amendments could seek to boost housing supply: • Enabling more intensive development in the areas that are already subject to intensification provisions; and/or • Expanding the areas that are subject to the intensification provisions of the NPS-UD, possibly by way of private plan change. HEAG considers that there is merit in pursuing policy changes across both these margins. To enable more intensive development in areas that are subject to intensification provisions, the HEAG recommends that amendments preclude the ability for Councils to apply minimum area requirements for dwellings / balconies / lots / communal spaces, in a similar way to the earlier policies on minimum parking requirements. The benefits of removing these area requirements for housing affordability cannot be understated: Research finds the combined effects of minimum area requirements for dwellings and balconies is likely to add approximately \$100,000 to \$250,000 to the costs of small apartments. In doing so, these minimum area requirements significantly reduce affordability for the most vulnerable members of society. If there is evidence for these policies, then HEAG suggests they are most appropriately implemented via the Building Act, which applies nationally, rather than local planning policies. Below, we consider the potential to expand the areas that are subject to the intensification provisions of the NPS-UD in more detail.
	Policy 33—39: Changes to rapid and frequent transit policies	The HEAG supports the proposed changes to policies on rapid and frequent transit, which would serve to expand the areas subjective to intensification provisions in Auckland, Wellington, and other large and often rapidly growing cities. Some questions on which we would welcome further discussion: • How is high and regularly-serviced frequencies defined? One option is 15-minute and 30-minute frequencies, respectively. • What is the proposed span for frequency? One option is 7am to 7pm on weekdays The HEAG notes that Central Government makes large financial contributions to public transport operating expenses via activity classes in the NLTP. As such, we consider it to be eminently reasonable for Central Government to require Councils to implement modest levels of upzoning in proximity to public transport to ensure that the latter is operating in an efficient manner.
	Point 40—45: Extent of walkable catchments	HEAG strongly concurs with the issues identified by HUD in relation to walkable catchments and is positively disposed to the proposed solutions, specifically: • Change in terminology from walkable to local, noting that an increasing share of people are making use of micromobility devices, such as scooters • Mandating minimum sizes for each type of local catchment, noting our previous comment on asymmetric costs of upzoning. s 9(2)(f)(iv)
	Points 46—59: Removing and restricting qualifying matters	HEAG supports improving enforcement of qualifying matters as well as efforts to further restrict their use. In terms of the options under point 56, we prefer outright prohibiting special character, noting that Councils and property owners are still able to make use of existing mechanisms, such as heritage and covenants. We are sympathetic to potential to create a narrow definition and limiting the spatial extent, although are unsure whether Councils will engage reasonably with such a definition – even with the commitment to improved enforcement and evidentiary requirements. In our view, it is reasonable to suggest that none of the special

Document	Reference	Comment
		character tests undertaken by Councils come anywhere near the level of assessment that is required to suggest that they would supplant the national importance of urban development. As such, it seems reasonable to preclude them entirely. That said, we agree with Point 57 that improved enforcement and evidentiary requirements are important backstops given that the affected Councils may well seek to avoid intensification requirements by other qualifying matters. If a tighter definition is to be pursued, then we suggest SCA: • Must only protect as much as necessary to achieve streetscape improvements as viewed from the street (this will, for example, cut out Auckland counting rear sites and Wellington regulating the sides of homes that cannot be seen from the street • Specify that each SCA must be unique, not blanket, and have regard to the need for every meshblock in a city to be responsive to demand, and allow a diversity of housing typologies.
	Other matters: Definition of “metropolitan centre”	HEAG suggests the NPS-UD is amended to provide guidance on what is a metropolitan centre rather than leave it to planners. Christchurch and Tauranga, for example, have not identified any metropolitan centres, which strikes us as unusual.
	s 9(2)(f)(iv)	s 9(2)(f)(iv)

Housing Expert Advisory Group Workshop #3

Summary

9 May 2024

Attendees

HOUSING EXPERT ADVISORY GROUP	OFFICIALS
• Kevin Counsell • Eric Crampton • Stuart Donovan • Marko Garlick • Malcolm McCracken • Stuart Shepherd	• Lesley Baddon, Auckland Regional Lead, Ministry for the Environment • Stephanie Gard'ner, Principal Policy Advisor, Ministry for the Environment • Peter Nunns, Director, Economics, Te Waihanga Infrastructure Commission • David Hermans, Chief Advisor, Ministry of Housing and Urban Development (HUD) [Facilitator] • Hilary Joy, General Manager System Policy, (HUD) • Fiona McCarthy, Manager Urban Development Enablement, HUD • Jane Keane, Manager, Housing Supply and Affordability • Cam Vannisselroy, Principal Advisor Urban Development Enablement, HUD • Cathy Steel, Principal Advisor Planning and Infrastructure, HUD • Matt Pilkinton, Senior Policy Advisor Urban Development Enablement, HUD • Nicole Rennie, Senior Policy Advisor Urban Development Enablement, HUD • Sarah McCarthy, Manager, MfE

Item 1: Update on draft Cabinet paper

- HUD officials provided a brief reminder that:
 - the June Cabinet paper would seek high level decisions, including on mixed-use and changes to the NPS-UD intensification policies
 - a lot of detail work would follow the Cabinet paper, and officials would like to continue to engage with the HEAG as needed as that work progresses.
- HUD will follow up on HEAG request to share draft Cabinet paper (or elements of it) for further comment/input.

Item 2: Overview and discussion of existing intensification policies

Is there any benefit in seeking to design a new ‘alternative MDRS’ (i.e. detailed direction, but with different standards or spatial extent), or should we focus on improving the more general intensification provisions of the NPS-UD?

- HUD officials summarised the context for discussion on mixed-use and changes to the NPS-UD intensification policies (their relationship to Targets and MDRS optionality).
- HUD officials noted the key choice/trade-off here is how prescriptive the Minister wants to be vis-a-vis how much choice to leave to councils on how to enable development capacity.
- HUD officials briefly recapped the intensification requirements of the NPS-UD and MDRS.
- Discussion about why the MDRS contained standards such as the street-facing façade glazing and landscaped area minimum requirements. Officials noted that these likely arose from a mix of urban design objectives (e.g. crime prevention) and choices to facilitate political/community acceptance.
- Discussion on council choice leading to different interpretations e.g. different interpretations uses of ‘metropolitan’ centres, treating ‘at least 6 storeys’ as a target rather than a floor.

Item 3: NPS-UD improvements and enabling mixed-use development

How could the intensification policies of the NPS-UD be improved to enable more housing supply and more competitive urban land markets in existing (brownfield) urban areas?

***What are the best ways for councils to enable more mixed-use development?
How directive should we be, and how far should we go in terms of what activities are enabled?***

- HUD officials summarised the policy proposals we are considering – and there was discussion on each, Set out below:

Policy 3(d)

- Policy 3(d) originally required upzoning across urban areas in line with demand and/or accessibility. This was narrowed when the MDRS was introduced.
- There was general support for reverting back to the original 3(d) in light of MDRS becoming optional – subject to some improvements that could be made to it (including considering land prices per square metre, demand and land values are strongly correlated).
- It was noted that this would be less important if private plan changes were more enabled (per previous conversations).

Policy 3(c) intensification around transit

- Support from the group for strengthening requirements to intensify around transport. Noted the difference between agency preferences (MoT and NZTA favour less prescriptive options than HUD) could be due to how close agencies were to how councils had responded to the current requirements.
- The group generally favoured being more prescriptive. Noted councils often did the minimum, prescribing more would give them safety in which to operate. Categories of prescription should focus on: what, where, how.
- Technical suggestions including tying intensification requirements to average frequencies across the day (rather than focusing on peak times), ensuring future routes can be included, and locking in requirements to current frequencies to avoid reductions to frequencies as a way of avoiding upzoning.
- Question about whether this would require a plan change or if it could be inserted like the carparking changes (that works best for items that don't require a lot of discretion) – HUD and MFE are investigating options.

Walkable catchments

- Group was comfortable with catchments being expressed in metres, and changing the name. Noted set rules would reduce the need for expert evidence on walkability, may be treated as floors by councils (some of whom have gone further in this plan change).
- Suggestion that some proposed distances could be extended, and officials should consider having a difference between the different frequencies (e.g. more differentiation between high and regular), or that a mix of 'as walked' and 'as the crow flies' be used.
- Discussion about inclination to walk differing by type of public transport, and propensity to walk to certain types of services.

- Discussion about e.g. how far to walk to get away from negative externalities within the catchment, and that evidence suggests land value tends to peak 200m from the PT service itself (i.e. close but not too close). This should be factored into definitions.

Qualifying matters

- Group discussed whether options to improve enforcement of process and evidentiary requirements for unlisted qualifying matters were practical.
- Discussion that councils are treating requirement for capacity as a target. Should make it clear that, even if they're over a target, there's still a cost to not going further.
- Discussion of whether a local "opt-in" to higher density is a better alternative to improved enforcement of requirements around qualifying matters. Discussion that graduated density zoning (allowing higher density for large parcels of contiguous land) is effectively an opt-in mechanism.
- Question as to whether there should be a symmetric "opt-out" to lower density or just an asymmetric "opt-in".

Special character

- Group was supportive of restricting application of special character generally. Differing options for restricting special character were discussed including:
 - Outright prohibition
 - Setting maximum extent of character protections. Discussion noted these could be treated as a target by councils.
 - Limiting character to streetscape protections (e.g. protecting street-facing facades only).
 - Only allowing character protections to be used by councils that have affordable housing (i.e. have met targets and objectives).
- Discussions about the extent of special character protections indicating the character being protected is not typically special or rare.
- Group discussed streetscape protections, noting that back sections should not be covered by special character.
- Discussion that people who value character could instead seek to use covenants or heritage legislation to protect it.

Are there other topics you'd recommend we prioritise work on in the short term?

- Suggestions of:
 - Prohibiting councils from setting minimum unit sizes (and ensure we are clear about the cost they add to development)

- Prohibiting councils from requiring balconies (and ensure we are clear about the cost they add to development)
 - Allowing localised plan changes in brownfield areas, linked to funding of infrastructure
- General agreement that you cannot provide for every eventuality, but set the overarching requirements well, and think of fail-safes to complement.

Mixed-use

- HUD officials summarised the potential case for giving direction on mixed use development and options regarding prescription and where mixed use is enabled.
- Generally endorsed the way officials were thinking about this issue. The HEAG agreed that there are legitimate effects that need to be managed which mean that not all activities should be allowed in all areas, but that there is a case for directing councils to be more enabling.
- Generally endorsed officials' Option B (Provide detailed direction to councils, setting out what types of activities must be enabled. Councils would then choose how to reflect this in their zoning frameworks). HEAG generally considered Option A (Provide strong direction to councils on the mixed-use outcome that they need to achieve, without prescribing what that should look like) would not result in much change from the status quo.
- Suggested a framework in which some activities must be permitted (no resource consent required), others must be enabled, but may still be subject to resource consent, and others are not subject to national direction. Recommended starting from a presumption of 'everything is enabled' and ruling activities out based on a 'nuisance standard', rather than starting from a presumption of 'nothing is enabled'.
- Noted that applications for resource consent for businesses such as supermarkets and convenience stores can be declined on the basis that it would impact on the viability of existing commercial centres. They considered this to be anti-competitive and may make it harder to achieve the objective of more mixed-use. They noted that the Commerce Commission had recommended changes to the RMA to address this concern.

Item 4: How an alternative MDRS could be designed

Is there an alternative version of the MDRS that we could design that could retain some of the benefits of the MDRS but with broader community-buy in? If so, what would this look like?

- HUD officials noted that work on an alternative minimum density standard was intended to be 'back-pocket' only at this stage
- Questions on:

- Whether concerns raised about the MDRS were homogenous. Noted that common concerns were:
 - Sunlight/lack of privacy due to height
 - Closeness to neighbouring properties
 - Inappropriateness of development being allowed anywhere
 - Insufficient infrastructure
 - MDRS developed without consultation with councils (and thus starting from a place of mistrust)
- Discussion on whether any new minimum standard would be 'tarred' by previous concerns about the MDRS, and whether opposition to the MDRS would be addressed by changes or whether there would be continued opposition to any form of intensification because of the association.
- Discussion on changes to intensification around more categories of transport addressing the 'anywhere' concern, and better link to where development would be best, including Crown investment in transport. Discussion on developers being required to pay for infrastructure going some way to address the infrastructure concern. A new minimum density standard may only offer marginal gains.
- HEAG suggested graduated density zoning, private plan changes to upzone, possibly retaining ability to direct adoption of the MDRS as a backstop if councils continue to have poor housing outcomes after removing it.
- Discussion on implementation timeframe for any changes – and interaction with councils still partway through plan change processes: HUD and MFE officials are working on options.
- Question on whether central govt would consider providing funding to councils for these plan changes (friend of submitter funded for ISPPs, and aiming to keep costs as low as possible by providing a less cluttered process).

Future role for the HEAG

- HUD officials noted the approach taken to date had been driven by the short timeframes to feed into the June Cabinet paper.
- HUD will draft an approximate timeline for future engagements. The HEAG's preference was for HUD to supply written material to the group, who would reply in writing, then meet to discuss if useful or necessary.

From: [David Hermans](#)
To: [Marko Garlick](#) s 9(2)(a) [Eric Crampton](#) s 9(2)(a) [Stuart Donovan](#) s 9(2)(a) [McCracken, Malcolm](#) s 9(2)(a) [Stuart Shepherd](#) s 9(2)(a) [Counsell, Kevin](#) s 9(2)(a)
Subject: Update and some questions
Date: Friday, 31 May 2024 3:24:00 pm
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.jpg](#)

Kia ora koutou HEAG members -

I'm conscious that it has been a little while since we last corresponded. As you can imagine, focus has been on drafting and inter-agency wrangling of the advice to support the Minister's upcoming Cabinet paper. This email is intended to:

- a. Update you on where we are at re the Cabinet paper.
- b. Give you an indication of timing of future engagement opportunities.
- c. Seek your views now on a couple of specific, time-sensitive questions.

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The Minister will shortly be consulting his colleagues on the paper he intends to take to Cabinet later in June. We haven't had permission to share the draft paper with you yet, but at a high level, the agreement being sought is for the Housing Growth Target regime to result in feasible capacity (at a minimum) no less than provided under the current (i.e. MDRS) regime, and to include new requirements for the use and monitoring of land price indicators. In addition, proposed changes to the NPS-UD will require councils to provide a baseline level of mixed-use across urban areas, simplify (and clarify) definitions of rapid transit and walkable catchments, put greater evidentiary requirements on use of qualifying matters, and require use of qualifying matters to be offset by a direct and corresponding increase in development capacity in an equivalent area.

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If agreed, the decisions will result in further work on the specific design of policies.

2. Future engagement

We would like to seek your engagement on two upcoming pieces of advice, with more detail around:

1. Financial incentives to support councils to 'build for growth'
2. Infrastructure funding and financing settings and tools

Though the exact timing is yet to be confirmed, we anticipate circulating material to you in the second half of June (for incentives) and early July (for IFF). As we discussed with you, you may like to provide written comments first and then we can meet to discuss your

comments and ask further questions.

We also anticipate that, subject to the decisions made by Cabinet in June, we may seek to engage you again on more detailed policy design questions.

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We are seeking your thoughts on the following two (somewhat time-sensitive) questions, to inform advice for next week:

1) Are you aware of any research or data about the impact of MDRS as shown in consenting data (i.e. an increase in townhouse consents)? We understand this is complicated by the AUP and Lower Hutt's previous consenting, but any evidence or information you are aware of would be appreciated.

2) As signalled above, we are providing the Minister with advice on potentially banning the use of minimum floor size and balcony requirements. We're largely repurposing a briefing from a few years ago which included references to a number of studies on the impact of these requirements (see below).

We were wondering if you are aware of any more up-to-date research we could cite in the briefing? In particular, Stuart D you may have mentioned to us that these requirements can add \$100k-200k to the cost of new apartments and we're wondering if there's some more recent studies we could point to that has this figure?

There is a body of evidence supporting the removal of these requirements

1. *Grimes and Mitchell surveyed property developers active in the Auckland market, for their 2015 report Impact of Planning Rules, Regulations, Uncertainty and Delay on Residential Property Development. This report was prepared for Motu Economic and Public Policy Research and focuses on the 'affordable' part of the market. The report estimated that balcony size requirements increased the costs of an apartment by \$40,000 to \$70,000 per unit, and minimum floor area requirements result in fewer low-cost dwellings being developed.*[\[1\]](#)
2. *A 2014 report prepared by MRCagney (commissioned by Auckland Council) examined the economic impacts of rules on minimum apartment and balcony areas in the proposed Auckland Unitary Plan (PAUP). This report found that the rules would have two negative economic impacts. "First, people who would have chosen to live in small apartments will be negatively affected by the reduced availability of this housing type. Second, the reduction in the availability of housing will in turn increase demand for other types of housing, causing prices to rise across the board."*[\[2\]](#)
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*apartment and balcony rules. Prepared for Auckland Council.
Auckland: MRCagney.*

Thanks in advance for your help, and hope you all have a good long weekend (although I guess that doesn't apply to you Stuart D).

Ngā mihi,

David

David Hermans ([he/him](#))

Chief Advisor Auckland | Policy Group

david.hermans@hud.govt.nz | Phone: +64 9 953 6419 | Mobile: **s 9(2)(a)**

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[1] Grimes A, Mitchell I. 2015. *Impacts of planning rules, regulations, uncertainty and delay on residential property development*. Motu Working Paper 15-02. Wellington: Motu Economic and Public Policy Research.

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The short answer is “no”. The long answer is that the effects of the MDRS are probably best considered in terms of two components that took effect at different times:

- Firstly, the ‘3x3 rules’ that took effect in all jurisdictions in May 2021, which enabled 1-3 infill units without resource consent.
- Secondly, the associated upzoning to enable multi-unit redevelopments (e.g. 6-10 terraces etc). The latter has not been notified (implemented) in all jurisdictions.

The effect of the 3x3 rules is most likely to manifest an increase in stand-alone houses and duplexes consented within existing urbanised areas. An uptick in multi-unit developments may be observed in TAs where the full plan change went through.

Unfortunately, HEAG considers it unlikely that MDRS provisions have been in place long enough for their effects to be evident in, or readily determined from, data for the following reasons:

- Plans with MDRS provisions were only recently notified, such that construction has not yet fully responded (see the analysis of the AUP by Greenaway-McGrevy and Phillips).
- Several major urban councils, notably Auckland and Christchurch, notified MDRS provisions after the formal deadline, delaying its impacts further in these places.
- Even after notification, many plans had not finalised NPSUD matters / qualifying matters – encumbering high-value locations where MDRS uptake was most likely.
- MDRS notification has coincided with poor macroeconomic conditions, which hurt residential construction acutely (NB: Sophisticated analyses can address this issue).
- The supply response is likely to have been suppressed by uncertainty over the future of the MDRS, e.g. whether councils will opt to keep it and any replacement housing policy.

Perhaps the best proxy for the effects of MDRS is Plan Change 43 (“PC43”) in Lower Hutt, which allowed townhouse developments of two- or three-storeys across a broad range of locations (NB: Parking minimums were also removed). As such, PC43 is basically ‘MDRS-lite’. The effects of PC43 were analysed in detail in Maltman and Greenaway-McGrevy (2024) using a synthetic control that accounted for demolitions and diverted activity.¹ Maltman and Greenaway-McGrevy (2024) find PC43 caused approximately 3,260 additional dwelling units to be consented between 2018 and 2023, which accounted for 66% of the 4,867 consents that were issued in this six-year period. The authors conclude that PC43 appears to have effectively tripled housing starts, with especially large effects on the supply of townhouses.

The effects of implementing MDRS in other TAs will, of course, depend on the context and is hard to disentangle from those of the NPSUD. Moreover, had MDRS been implemented in all Tier 1 councils, then this may have diverted demand from Lower Hutt to other Wellington councils. On the other hand, the implementation of nationally consistent minimum townhouse zoning may have fostered competition and economies of scale that served to support productivity and reduce per unit construction costs. HEAG notes that, generally, the productivity and capacity of the construction sector will be endogenously determined (i.e. determined together with) zoning rules. This [recent paper](#), for example, considers how planning rules that allow developers to build at scale can help to enhance productivity in the construction sector. For these reasons, HEAG considers that PC43 in Lower Hutt (and the removal of parking requirements) is a reasonable approximation of the effects of MDRS.

¹ For details, see [here](#) and [here](#).

2) We are providing the Minister with advice on potentially banning the use of minimum floor size and balcony requirements.

HEAG strongly supports Central Government advancing policies to prevent Councils from regulating aspects of building quality that addressed via the Building Code and/or that are readily evident to occupants. In our view, minimum area requirements for floorspace and balconies are especially problematic due to the high costs that they impose on development.

HEAG is not aware of more recent studies that assess these costs, but we suggest that HUD could arrive at updated estimates by considering the resource costs of the policies. Under such an approach, the approximate effect of these policies is calculated as the *cost per sqm* x *increase in area*, where the latter is due to policy. HUD is likely to have access to better data, although HEAG considers the following ranges of values to be reasonably indicative:

- *Cost per sqm* is likely to range from \$4,000 to \$6,000; and
- *Increase in area* is likely to range from 10-20sqm.

These values imply a range in resource costs from \$40,000 to \$120,000 per new dwelling unit.

While the direct resource costs of these policies are significant, they do not account for the wider economic effects of the policies.

First, minimum area requirements for floorspace and balconies, for example, are also likely to reduce the supply of smaller dwellings. This, in turn, can be expected to increase the price of existing smaller dwellings.

Second, by increasing the costs of smaller dwellings, these policies seem likely to have pernicious distributional effects. Put simply, these regulations are unlikely to bind on housing for middle and high-income households. Instead, the costs of these policies will fall mostly on vulnerable populations with binding budget constraints and where higher housing costs have damaging flow on (“income”) effects that reduce their consumption of other necessities, such as food, heating, healthcare, and transport. For these reasons, HEAG recommends linking discussion of the economic costs of these regulations to their regressive distributional effects.

Third, and building on our comment above in relation to the MDRS, HEAG considers that these policies – which can and do vary by Council – prevent the construction sector from realising economies of scale at the national level. Barring councils from implementing planning policies that go beyond the Building Code would enable more standardised dwelling designs that could be rolled out nationally, supporting economies of scale and productivity.

To finish, while national policies that ban minimum area requirements for floorspace and balconies is a welcome step that HEAG supports, we do see a risk that some Councils will attempt to circumvent the ban by regulating other internal qualities and attributes of dwellings. We are aware, for example, that Auckland Council currently regulates the furniture layouts of dwellings, including but not limited to the ability of hypothetical people to view hypothetical televisions while sitting on hypothetical sofas. For this reason, HEAG suggest that policies banning minimum area requirements for floorspace and balconies are the first step in a wider policy process that seeks to more clearly delineate between the role of planning policies vis-à-vis the requirements of the Building Code. Although it may not be possible to draw a hard boundary in all areas of policy, we suggest there is a clear need for clearer guidance.

From: [Stuart Donovan](#)
To: [Marko Garlick](#); [David Hermans](#)
Cc: [Counsell, Kevin](#) s 9(2)(a) [Eric Crampton](#) s 9(2)(a) [McCracken, Malcolm](#) s 9(2)(a) ; [Stuart Shepherd](#) s 9(2)(a)
Subject: RE: Update and some questions
Date: Tuesday, 4 June 2024 1:05:14 pm
Attachments: [image001.png](#)
[image002.png](#)
[image003.png](#)
[image004.jpg](#)

Hi All,

I wanted to support Marko's comments below on delineating between Building Code vis-à-vis RMA, specifically restricting the latter to external effects.

Also, I wanted to expand on why we think the s32 alternative is highly compromised:

- First, we do not consider that current s32 practices are fit-for-purpose. Many current highly questionable policies have been "supported" by S32
- Second, I've observed a strange form of status quo / incumbency bias whereby the onus is put on justifying changes to current regulatory interventions, like the removal of minimum parking requirements rather than their imposition.

For these two reasons, I think there is a high risk that the s32 alternative would be highly compromised.

Hope that helps!

Best,

Stuart.

From: Marko Garlick s 9(2)(a)
Sent: Tuesday, June 4, 2024 10:46 AM
To: David Hermans <David.Hermans@hud.govt.nz>
Cc: Counsell, Kevin s 9(2)(a) [Eric Crampton](#) s 9(2)(a) [McCracken, Malcolm](#) s 9(2)(a) [Stuart Donovan](#) s 9(2)(a) [Stuart Shepherd](#) s 9(2)(a)
Subject: Re: Update and some questions

Hi David

I want to send through one addition to the summary document (thanks Stu for compiling our comments!).

On minimum floor size and balcony requirements, aside from estimating the cost of these policies, I do not see any basis for individuals councils to be setting minimums above the Building Code in their District Plans. The RMA is directed at "effects" on the "environment". To my mind, that means externalities. The Building Code sets minimums based on objective science about human habitation and health at a national level. This does not change by geographic area. Above those minimums, people are well capable of making trade-offs between floor space, balconies, outdoor space, location, cost, etc. That choice is completely internalised to the consumer; there is no external effect on other people or the environment.

I would suggest that HUD consider (on top of expressly removing the power of councils to regulate floor area and balconies) banning councils more generally from regulating the inside of buildings via District Plans / resource consents as there is no effect on the environment. I.e, deeming interior building matters to not be an effect. This ought to extend to anything relevant at the Plan or consenting stage, including design guides whether non-binding or not. I am thinking in particular of Auckland Council's regulation of sofa and TV layouts.

A slightly compromised version of this is requiring that any regulation of the inside of buildings be accompanied by a clear identification of an effect on the environment, supported by robust cost-benefit analysis via a s 32. This analysis would be particularly useful in paring back rules on daylight and outlook space for rooms that go beyond the Building Code, those requirements being supposedly to improve the occupant's 'liveability' and not connected to any effect on neighbours.

(with thanks and credit to Kevin on this last point).

Thanks

Marko

On Tue, 4 Jun 2024 at 11:35 AM, Stuart Donovan s 9(2)(a) wrote:

Hi David (cc HEAG),

Our initial thoughts on your two questions are summarised in the attached document. Notes:

- This was pulled together in a hurry over the weekend, so apologies in advance if it's not especially polished.
- I've tried to paraphrase HEAG's views, but it's possible I've unintentionally misrepresented or glossed over some aspects.
- For these reasons, HEAG members may send you separate / additional comments later today.

Any further questions don't hesitate to shout out.

Best,

Stuart.

From: Stuart Donovan
Sent: Friday, May 31, 2024 4:26 PM
To: David Hermans <David.Hermans@hud.govt.nz>
Cc: Stuart Shepherd s 9(2)(a) [Counsell, Kevin](#) s 9(2)(a) [Eric Crampton](#) s 9(2)(a) [Marko Garlick](#) s 9(2)(a) [McCracken, Malcolm](#) s 9(2)(a)
Subject: RE: Update and some questions

Hi David (cc HEAG),

Letting you know that we have received and are already discussing the questions in your email. We'll aim to send you a consolidated

response before the end of the long weekend (yes, Monday is a work day for me!).

Best,
Stuart.

From: David Hermans <David.Hermans@hud.govt.nz>

Sent: Friday, May 31, 2024 1:24 PM

To: Marko Garlick s 9(2)(a)

Eric Crampton s 9(2)(a)

s 9(2)(a) Stuart Donovan s 9(2)(a)

McCracken, Malcolm s 9(2)(a)

s 9(2)(a) Stuart Shepherd s 9(2)(a)

Counsell, Kevin

s 9(2)(a)

Subject: Update and some questions

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- a. Update you on where we are at re the Cabinet paper.
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Thanks in advance for your help, and hope you all have a good long weekend (although I guess that doesn't apply to you Stuart D).

Ngā mihi,

David

David Hermans ([he/him](#))

Chief Advisor Auckland | Policy Group

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^[1] Grimes A, Mitchell I. 2015. *Impacts of planning rules, regulations, uncertainty and delay on residential property development*. Motu Working Paper 15-02. Wellington: Motu Economic and Public Policy Research.

^[2] MRCagney. 2014. *The economic impacts of minimum apartment and balcony rules*. Prepared for Auckland Council. Auckland: MRCagney.