

The National Policy Statement on Urban Development Capacity

An analysis of issues identified by councils giving effect to the National Policy Statement on Urban Development Capacity

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Survey and support by The Property Group

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This paper was prepared by Tom Simonson, Principal Regulatory Advisor, LGNZ with support from The Property Group.

Foreword

Foreword



One of the New Zealand's most persistent challenges over the past 20 years is how to encourage development in our urban centres to enable the delivery of affordable land and subsequently affordable housing. It is one of those wicked problems, which has come about as a confluence of other complex issues, such as overly tight resource management laws, infrastructure finance, and council planning practices.

It is a challenge that we as a nation are still grappling with, and one we have to overcome if we are to provide the affordable housing that our communities need.

It is in light of this challenge that Local Government New Zealand (LGNZ) welcomed the National Policy Statement – Urban Development Capacity (NPS-UDC) when it was introduced in 2015.

The intention behind this document was to get medium and high-growth councils thinking about how much development capacity they have in their jurisdictions, as a means to trigger better thinking, and coordination of planning and infrastructure investment decisions.

However, early feedback from councils suggested that the National Policy Statement – Urban Development Capacity (NPS-UDC) was proving operationally difficult and costly, and worse yet, was not meaningfully working towards meeting its intentions. On the back of this feedback, LGNZ undertook a systematic review to assess existing issues and their prevalence. The results of this research form the basis of this report, which confirms that the process is costly, difficult to administer, and overly burdensome in its current form.

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In our view the problems stem from the lack of engagement with local government in the development of this guidance, which was completed in just nine months. This was achieved by closing

the process to external voices and evidence, and when policy is developed in a vacuum it seldom if ever achieves its stated aims.

With the predominance of issues with this national guidance coming to light so early in the process, LGNZ assesses that at its foundations, it's flawed. Further, after continued dialogue with LGNZ's Metro Group, its Policy Advisory Group (PAG) and National Council, we believe the promise of the NPS-UDC and how it operates in practice cannot be reconciled and the programme should be scuttled.

Both central and local government recognise that housing affordability is a critical issue that New Zealand must get right if we are to enable citizens to improve their well-being. We both also acknowledge the value of good information as a means of taking timely actions and investments. The NPS-UDC does not provide good information, and will not inform actions or investment by central or local government.

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We look forward to discussing this point and our recommendations with central government.

A handwritten signature in black ink, which appears to read "Dave Cull". The signature is fluid and cursive.

Dave Cull
President
LGNZ

Executive summary

Executive summary

The National Policy Statement – Urban Development Capacity (NPS-UDC) mandates unfunded council monitoring, reporting and modelling to ensure medium and high-growth councils provide sufficient infrastructure-enabled land to meet current and future development. This report analyses one of the main parts of the NPS-UDC (evidence and monitoring to support planning decisions) to determine whether outcomes from the time and cost invested provide a meaningful return to ratepayers.

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To begin, LGNZ contracted for a survey of 23 medium and high growth councils to assess issues with the NPS-UDC. Results reveal that for just those councils surveyed, the impact has a cumulative cost of roughly \$3 million to ratepayers. Further, that completing the three-yearly Housing and Business Capacity Assessment took up to 18 months, and that staff time required was reported between one full-time employee for a year up to six staff members dedicating 80 per cent of their time for 18 months.

In addition, the Government's economic premise is that council analysis be made from a "currently feasible" position, meaning reference (only) to current costs, revenues and yield. As such, a "locked market" modelling tool is utilised. Neither the position nor the model are helpful for local councils in planning for future growth, particularly for planning to 2050.

In short, the requirements of the NPS-UDC are expensive and time consuming, and the economic model upon which councils are expected to make informed decisions is not fit-for-purpose.

LGNZ believes weaknesses stem from the abbreviated period in which the NPS-UDC was created. On average, a national policy statement takes around four years to produce. The guidance on urban development capacity was completed in nine months. This was achieved by limiting public and local government engagement into the development process.

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LGNZ has presented the findings from this paper to its National Council, its Metro Sector, and its Policy Advisory Group (PAG), and all agree that the NPS-UDC does not provide a reasonable return on ratepayer investment. As such, LGNZ is calling on central government to rescind the NPS-UDC based on the following key measured outcomes:

1. The Government approved economic model is not well founded nor fit-for-purpose, and as such, decisions premised on the existing model may adversely affect growth outcomes;
2. Council time, personnel investment and consultant cost is unfunded for medium and high-growth councils, and these resources could be better placed to meet demands on growing councils;
3. The data and its format provided to councils by the Government was not fit-for-purpose, confirming it does not have a full understanding of council needed inputs;
4. Key outcomes, including quarterly reporting and the 30-year estimates, provide little to no useful data but require considerable time, administration and investment to report; and
5. Due to the above-referenced barriers and hurdles, many councils were not able to meet reporting requirements, hindering outcomes and possible damage to council reputation in delivery of reporting.

1

NPS - UDC background

NPS-UDC background

The NPS-UDC was developed by the Ministry for the Environment (MfE) and the Ministry of Business, Innovation and Employment (MBIE). The NPS-UDC came into effect on 1 December 2016 with the purpose of recognising the national significance of:

- Urban environments and the need to enable such environments to develop and change; and
- Providing sufficient development capacity to meet the needs of people and communities and future generations in urban environments.

The Government planned for the NPS-UDC to be an evidence based and economically modelled programme supporting productive and well-functioning medium and high-growth urban areas. Reporting on research and analysis is intended to provide information for regional policy statements and regional and district plans under the RMA. The objective is to highlight opportunities to develop land for business and housing to meet community needs.

The measure for an NPS-UDC was also supported by the 2015 Productivity Commission inquiry into *Using land for housing*, which recommended that a national policy statement could help address the constraints on development capacity in the resource management system.

The NPS-UDC directs local authorities to provide enough development capacity in their resource management plans, supported by infrastructure, to meet demand for housing and businesses. It contains objectives and policies that local authorities must give effect to in their resource management decisions.

The NPS-UDC structure

The NPS-UDC is divided into several sections under the subject headings of objectives and policies. Policy areas are separated into four cumulative categories, building on each predecessor. Another way of looking at these categories is through a process lens of traditional project management; building objectives, data gathering, planning and coordination for execution of decisions.

- PA – Policy outcomes for planning decisions;
- PB – Evidence and monitoring to support planning decisions;
- PC – Response planning; and
- PD – Coordinated planning evidence and decisions.

There are objectives noted for each policy area, and several apply to any urban environment expecting to experience growth. They include:

- Effective and efficient urban environments that enable people and communities and future generations to provide for social, economic, cultural and environmental wellbeing;
- A robustly developed, comprehensive and frequently updated evidence base to inform planning decisions in urban environments; and
- Coordinated and aligned planning decisions within and across local authority boundaries.

For detail, please reference Appendix 1.

The following table highlights application of all objectives and policies by type of council. PA-1 through PA-4 apply to all councils. However, for the purposes of LGNZ's research, due to timing of the NPS-UDC implementation, available research time and budget constraints, only policies PB1 – PB7 (evidence and monitoring to support planning decisions) are evaluated in this review.

Table 1: Objectives and Policies of the NPS-UDC

	All local authorities	Local authorities that have a medium-growth urban area within their district or region	Local authorities that have a high-growth urban area within their district or region
Objectives that apply	All	All	All
Policies that apply	PA-1-PA4	PA-1-PA4	PA-1-PA4
		PB1 - PB7	PB1 - PB7
		PC1 - PC4	PC1 - PC5
		PD1 - PD2	PD1 - PD3
			PC5 - PC14
			PD3 - PD4

Bold areas are the focus of this report.

2

LGNZ survey background and process

LGNZ survey background and process

In order to complete the study, LGNZ contracted with The Property Group (TPG) to perform a survey on a selected group of councils. In total, 23 councils were engaged, 12 individual medium and high-growth councils were interviewed along with three partnerships groups representing between two and five councils each (for a total of 11 councils).

The objective of the survey was to provide empirical evidence and a basis for recommendations on the outcomes. The initiative for this analysis began with sector feedback on the appropriateness of approach and modelling, and was bolstered by LGNZ's interest to recognise the costs from this unfunded mandate. Specifically, the 2016 budget allocated \$4.9 million to execute the NPS-UDC over four years, with no funding for local council implementation.

Councils have been deeply affected and the list of activities is significant. For example, depending on the requirement, tasks take between days and months to complete and can be costly. Our survey found that the required three-yearly assessment costs ratepayers between \$20,000 and \$300,000, though median expenditure is between \$80,000 and \$180,000. As such, the median expenditure of this range is \$130,000 across all surveyed councils. Consequently, the total cost is nearly \$3 million to fulfil PB1-PB7; roughly 60 per cent of the total amount Government allocated to itself to spend over four years to create and monitor the entire programme.

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In addition to the monetary impacts, the NPS-UDC relies on a very narrow and limited supply of economic experts for use by councils (straining a limited market), and demands quarterly updates, requiring continuous investment and limited benefit for councils.

The analysis is to inform three targeted audiences; Government (specifically with MfE and MBIE), member councils and stakeholders.

Table 2 lists the Medium-Growth and High-Growth urban areas and the local authorities within each category. The councils with bold text

were interviewed for LGNZ's research by TPG between November 2018 and February 2019.

Survey process

In undertaking this survey, TPG made initial contact with councils in November 2018. However, due to the reporting deadline to Government on 31 December, it was determined a follow up survey was needed in February 2019 to complete outstanding survey questions. For the survey, TPG implemented the following process:

1. Review of the requirements of the NPS-UDC to understand its application to local authorities in medium-growth and high-growth urban areas;
2. Preparation of a questionnaire focused on what worked well, what could be improved and what did not work well in giving effect to the NPS-UDC;
3. Undertake phone interviews with a selection of medium-growth and high-growth territorial authorities; and
4. Collate the findings and feedback for the purpose of this report.

Limitations and risks

Limitations and risks identified during the process included:

1. Medium-growth councils had a NPS-UDC reporting deadline for Policies PB1 to PB5 on 31 December 2018. Undertaking this questionnaire when these councils were working to this deadline meant that it was more difficult to get responses to the questionnaire and feedback from medium-growth councils. However, more responses were received from these councils when they were re-approached in February 2019.
2. MfE has recently undertaken a similar survey of a selection of councils. There was anecdotally some survey fatigue present in the responses received from some councils
3. Responses to questions posed varied in length and detail dependent on the individual council officer responding to the survey. This was particularly noticeable given that responses and feedback was given over the phone.

Table 2: Categories of urban areas for the NPS-UDC

Growth	Urban Area	Councils
High-Growth	Auckland	Auckland Council
	Hamilton (FutureProof Partnership)	Waikato Region, Hamilton City, Waikato District, Waipa District, Matamata-Piako District
	Tauranga	Bay of Plenty Region, Tauranga City, Western Bay of Plenty District
	Christchurch (Greater ChCh Partnership)	Environment Canterbury, Christchurch City, Selwyn District, Waimakariri District
	Queenstown	Otago Region, Queenstown-Lakes District
	Whangarei	Northland Region, Whangarei District
	New Plymouth	Taranaki Region, New Plymouth District
Medium-Growth	Palmerston North	Horizons Region, Palmerston North City
	Kapiti	Greater Wellington Region, Kapiti Coast District
	Wellington	Greater Wellington Region, Wellington City, Porirua City , Lower Hutt City, Upper Hutt City
	Nelson	Nelson City, Tasman District
	Rotorua	Bay of Plenty Region, Rotorua District
	Napier-Hastings	Hawkes Bay Region, Napier City, Hastings District
	Gisborne	Gisborne District
	Blenheim	Marlborough District
	Dunedin	Otago Region, Dunedin City

Source: National Policy Statement on Urban Development Capacity: Guide on Evidence and Monitoring.
Councils in bold are those surveyed.

3

Summary of findings

Summary of findings

Based on the feedback from the lessons learned questionnaire, with questions and answers in Appendix 2: Detailed findings, the following table highlights survey responses and work outcomes.

Tables 3: Summary of results

	Group or Subject	Estimated Time /Cost	Comment/Observation
Time to complete PB 1 to 5	Medium-growth	12 to 17 months	High variation in time to complete
	High-growth	7 to 18 months	High variation in time to complete
Tim to complete PB6	Medium-growth	3 to 8 weeks	Internal time delays (partner coordination). Dissatisfied with frequency
	High-growth	1 to 2 months	Dissatisfied with frequency (quarterly)
Tim to complete PB7	Medium-growth	1 to 3 days	Complex indicators, not fit for purpose, difficult to apply
	High-growth	1 day to 7 weeks	Difficult to apply
Additional time (per week) reporting for the NPS-UDC	Medium-growth	1 to 2.5 additional FTEs annually	Variance dependent on council's partnerships, internal expertise, internal governance processes, needed individual feedback/guidance from MBIE and MfE, and any delay in the use of external economic consultants.
	High-growth	1 FTE for 1 year to 6 staff at 80% for 1.5 years	Same as above.
Cost to complete the NPS_UDC three year report	Breadth of cost	\$20,000 to \$300,000	The high end of this range was for a high-growth council partnership, which encountered complications with work from external consultants, resulting in their fee almost doubling.
	Majority cost	\$80,000 to \$180,000	Most costs were a result of contracting external consultants to perform various technical aspects of the NPS-UDC obligations such as the Housing Capacity Assessment (HCA) and Business Capacity Assessment (BCA).
Cost to complete the NPS_UDC quarterly reporting	Time	3 - 7 days	Estimates of costs varied depending on specific circumstances and comprehension by individual councils of what was required (eg level of detail required for the report) for the quarterly reporting.
	Cost	\$2,500 to \$8,000	Most of this cost, for many councils, was representative of existing FTE time. The highest cost of the range represents a high-growth council that contracted out the reporting requirements entirely due to current lack of internal staff capacity.

Table 4 : Summary of results

Group or Subject	General Summary	Comment/Observation
Reporting and resourcing All councils	Most councils absorbed the NPS-UDC reporting requirements using existing FTE. There were several councils who engaged new staff on contract specifically to complete the NPS – UDC	All councils used external consultants for the technical detail required for the reporting.
		Most councils expressed significant difficulty resourcing an adequate amount of internal staff to complete the reporting requirements of the NPS-UDC.
		Most councils noted the difficulty in resourcing funding to complete the NPS – UDC requirements.
Difficulties in resourcing staff for reporting on the NPS Medium-growth	Noted a high degree of difficulty	The majority of councils employed the expertise of external consultants to perform the technical requirements (eg HCA and BCA).
		Four councils created new full-time roles or teams because of the requirements of the NPS-UDC. Two of the roles began as fixed term contracts.
High-growth	Those in partnership relationships with neighbouring councils of a lower growth status, expressed significant difficulty	
General comment Several and many councils		Several Councils noted that they already plan in detail up to 10-years out under Long Term Plan (LTP) processes, 30-year assessments are of “limited utility” and “speculative value” because of the variables that exist within such a timeframe.
		There was a clear difference in experience between councils who had staff with the expertise to understand and deliver the requirements of the NPS-UDC and councils who did not, which highlighted a shortage of expertise in urban development capacity economics in some local authorities.

Table 5 : Summary of results

	Group or Subject	Met reporting deadline	General Observation
PB 1 - 5	Medium-growth	3 of 10	Between 60 and 70 per cent of councils surveyed did not meet reporting deadlines for PB1-5.
	High-growth	5 of 13	
PB 6	Medium-growth	8 of 10	Between 20 and 60 per cent of councils surveyed did not meet reporting deadlines for PB6.
	High-growth	5 of 13	
PB 7	Medium-growth	4 of 10	Between 40 and 60 per cent of councils surveyed did not meet reporting deadlines for PB7.
		8 of 13	

Other observations

1. Quarterly reporting is too frequent to show any real change and is onerous for many councils.
2. Smaller sized councils struggled the most with resourcing for assessment and reporting requirements under the NPS-UDC. Where councils worked jointly with other councils, such as FutureProof and Greater Christchurch Partnership, larger councils appeared to carry a bigger load in the project in terms of resourcing and time commitments, to compensate for under-resourcing at smaller councils.
3. Larger sized councils generally sought more one to one assistance from MfE and MBIE, particularly with regards to setting up capacity assessment models. This may reduce the need for reliance on external economic consultants and may result in greater consistency of results between councils. Councils that were not in partnership arrangements with other councils or a unitary authority did not report on the level of assistance provided by regional councils and this could be further explored in the future.
4. Smaller sized councils generally considered the assistance from MfE and MBIE to be good, suggesting that assistance from central government to date has been more easily available to smaller councils rather than larger councils.
5. There is a limited pool of economic consultants in New Zealand with the necessary expertise and experience to assist councils in their NPS-UDC obligations. This has resulted in time delays and cost implications.

4

Discussion

Discussion

LGNZ conducted this survey to create an understanding of the impact on councils to complete one portion of the NPS-UDC (evidence and monitoring to support planning decisions), and to determine whether its investment was worth the time and cost required. Importantly, a supporting measure for this survey and analysis was to determine and quantify yet another unfunded mandate on local councils to fulfil government objectives intended to facilitate and guide national economic growth and prosperity.

Council costs varied greatly across 23 councils to complete the “housing and business development capacity assessment”. Ratepayers funded an average cost of between \$80,000 and \$180,000, requiring between one full-time employee for a year to six employees dedicating 80 per cent of their time. A total quantum of cost, if averaged, is close to \$3 million. Further, quarterly reporting takes council staff between three and seven days to complete and costs ratepayers between \$10,000 and \$32,000 annually.

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In addition to the impact of time and cost on ratepayers, the economic approach and model chosen by Government is not fit-for-purpose. Market Economics highlighted this in a July 2018 discussion paper¹, noting other key issues including:

- The implicit assumption that if current capacity is insufficient, that plan-enabled capacity will by itself improve the feasibility of all new capacity (simply adding potential land/capacity will increase likelihood of more construction).
- The economic model works on the basis of a “locked market” position; there will be no change in prices or costs over 30 years; and
- An economic premise counter to a very broadly accepted economic position that looks to present our future through a “normative” approach (what ought to be), rather than a “positive” approach (what is likely).

Perhaps most damning, the finding of the report notes “the clear misalignment between basic urban economics, and adherence to the Locked Market position can be expected to result in adverse growth outcomes”, meaning the premise and approach of the NPS-UDC may make capacity issues worse for local councils.

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Consequently, cost and time impacts in addition to a misaligned economic model ensure that resulting outcomes do not provide value for money. LGNZ believes this reflects an outcome of rushing to create this NPS. Normally, this process takes between 36 and 40 months. However, the scoping, drafting, consultation and implementation for this NPS-UDC was executed in only nine months. In doing so, steps to engage with key stakeholders, experts and partners were truncated or eliminated. Consequently, the process discounted or overlooked existing statutory council requirements; even those that had been implemented by the same government two years earlier (e.g. 30-year infrastructure strategies).

It would not be fair to say time and investment in NPS-UDC only had negative outcomes; several councils noted that results may be used in other planning activities and mechanisms. But, at the time of the survey roughly 60 to 70 per cent of councils did not meet reporting deadlines for PB1 – PB5 (three yearly assessment) and up to 60 per cent of councils did not meet reporting deadlines for PB6 and PB7.

1 “NPS-UDC: Current Feasibility Provisions” July 2018 Markets Economics

5

Conclusion

Conclusion

LGNZ's survey identifies numerous issues raised by councils and by economic specialists that premise the argument to rescind the NPS-UDC. Based on the survey summary, LGNZ can list at least five key reasons:

The economic model is not fit-for-purpose

This study notes that in completing PB7 that there are "complex indicators" and "difficult to apply" modelling scenarios. These outcomes appear to premise the Market Economics discussion paper published in July 2018, which states "the clear misalignment between basic urban economics, and adherence to the Locked Market position can be expected to result in adverse growth outcomes". Requiring the use of an economic model that is not used by councils is one issue, but using a model that will likely guide adverse outcomes is another. The NPS-UDC does not use an appropriate model to guide land use planning.

It is not funded

Local government cannot continue to fund Government initiatives without due compensation. The regulatory impact statement estimated roughly \$4.4 million was needed to appropriately implement this NPS over four years. Our analysis indicates that the average cost by 23 surveyed councils was between \$80,000 and \$180,000. Interpolating, the average is \$130,000. Currently, 38 growth councils are executing on the NPS-UDC, bringing a possible estimated total to \$4.9 million (only for PB1 – PB7). Most of the expended resources and funds are of little use to councils.

Government data is often unusable

The time spent by councils on - for example - PB7 is in large part due to complications with the data received from Government. In at least three council examples, the data required "re-working" in order to make it fit-for-purpose in the specific region, which required between one day to seven weeks. In addition to other outcomes, data management has not been adequately coordinated for council use.

Short and long-term monitoring is expensive and of little use

Most councils found quarterly reporting burdensome and costly (between \$2,500 and \$8,000), with measurable change that results from reporting as insignificant. Further, councils already have long-term reporting required as part of their long-term plans as well as part of their 30-year infrastructure strategies; adding another model that cannot inform their planning further complicates the long-term planning process.

Barriers and hurdles left councils struggling to meet reporting deadlines

Due to the above-referenced issues, a high percentage of councils were hindered in meeting reporting requirements. The resulting outcomes include damaged reputation for councils in their reporting and Government not having its anticipated clarity in planning and investment outcomes.

Appendices

Appendix 1: Summary of the National Policy Statement on Urban Development Capacity

	A: Outcomes for planning decisions	B: Evidence and monitoring to support planning decisions	C: Responsive planning	D: Coordinated planning evidence and decisions
<p>Objectives</p>	<p><i>These objectives apply to all local authorities and decision-makers. Policies PA1 to PA4 apply to any urban environment expecting to experience growth.</i></p> <p>OA1. Effective and efficient urban environments that enable people and communities and future generations to provide for social, economic, cultural and environmental wellbeing.</p> <p>OA2. Urban environments that have sufficient opportunities to meet demand, and which provide choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses.</p> <p>OA3. Urban environments that, over time, develop and change in response to the changing needs of people and communities and future generations.</p>	<p>OB1. A robustly developed, comprehensive and frequently updated evidence base to inform planning decisions in urban environments.</p>	<p>OC1. Planning decisions, practices and methods that enable urban development which provides for the social, economic, cultural and environmental wellbeing of people and communities and future generations in the short, medium and long term.</p> <p>OC2. Local authorities adapt and respond to evidence about urban development, market activity and the social, economic, cultural and environmental wellbeing of people and communities and future generations, in a timely way.</p>	<p>OD1. Urban environments where land use, development, development infrastructure and other infrastructure are integrated with each other.</p> <p>OD2. Coordinated and aligned planning decisions within and across local authority boundaries.</p>
<p>Policies</p>	<p>PA1. Local authorities shall ensure that at any one time there is sufficient development capacity available as follows:</p> <ul style="list-style-type: none"> Short term capacity must be feasible, zoned and serviced with development infrastructure Medium term capacity must be feasible, zoned and either serviced with development infrastructure, or development infrastructure identified in a long term plan under the LGA Long term capacity must be feasible, identified in relevant plans and strategies, and the development infrastructure to support it must be identified in an infrastructure strategy under the LGA <p>PA2. Local authorities shall satisfy themselves that other infrastructure required to support urban development is likely to be available.</p>	<p>PB1. Local authorities shall carry out a housing and business development capacity assessment at least three-yearly that:</p> <ul style="list-style-type: none"> Estimates housing demand, including for different types, locations and price points; and the supply of development capacity to meet that demand, in the short, medium and long terms. Estimates demand for different types and locations of business land and floor area for businesses and the supply of development capacity to meet that demand in the short, medium and long terms. Assesses interactions between housing and business activities, and their impacts on each other. 	<p>PC1. To factor in the proportion of feasible development capacity that may not be developed, in addition to the requirement to ensure sufficient, feasible development capacity as outlined in PA1, local authorities shall also provide an additional margin of feasible development capacity over and above projected demand of at least: 20% in the short and medium term; and, 15% in the long term.</p> <p>PC2. If evidence from the assessment under PB1, including information about the rate of take-up of development capacity, indicates a higher margin is more appropriate, this higher margin should be used.</p> <p>PC3. When the housing and business development capacity assessment or monitoring indicates development capacity is not sufficient in any of the short, medium or long term, local authorities shall respond by providing further development capacity and enabling development.</p>	<p>Policies PB1- PB7, PC1-PC4, PD1 and PD2 apply to local authorities with a Medium or High-Growth Urban Area within their district or region. The application of the policies is not restricted to the boundaries of the Urban Area.</p> <p>PD1. Local authorities that share jurisdiction over an Urban Area are strongly encouraged to work together to implement this NPS, and particularly to cooperate and agree on:</p> <ul style="list-style-type: none"> A joint housing and business development capacity assessment The provision and location of sufficient, feasible development capacity. <p>PD2. Local authorities shall work with providers of development infrastructure and other infrastructure to achieve integrated land use and infrastructure planning in order to implement PA1-PA3, PC1 and PC2.</p>

<p>PA3. When making decisions that affect the way and rate at which development capacity is provided, decision-makers shall provide for the social, economic, cultural and environmental wellbeing of people and communities and future generations, having regard to:</p> <ul style="list-style-type: none"> • Providing choices that will meet the needs of people and communities and future generations for a range of dwelling types and locations, working environments and places to locate businesses • Promoting efficient use of scarce urban land and infrastructure • Limiting as much as possible adverse impacts on the competitive operation of land and development markets. <p>PA4. When considering effects of urban development, decision-makers shall take into account:</p> <ul style="list-style-type: none"> • The benefits that urban development will provide with respect to the ability of people, communities and future • The benefits and costs of urban development at a national, inter-regional, regional and district scale, as well as local effects. 	<p>PB2. The assessment shall use information about demand including:</p> <ul style="list-style-type: none"> • Demographic change (including Statistics New Zealand population projections) • Future changes in business activities of the local economy and potential impacts on demand for housing and business land • Market indicators monitored under PB6 and PB7. <p>PB3. The assessment shall estimate the sufficiency of development capacity provided by plans including:</p> <ul style="list-style-type: none"> • The cumulative impact of all zoning, objectives, policies, rules and overlays in plans. • Actual and likely availability of infrastructure under PA1. • Current feasibility of development capacity. • Rate of take up of development capacity. <p>The market's response to planning decisions obtained through monitoring indicators under PB6 and PB7.</p>	<p>PC4. Local authorities shall consider all practicable options for providing sufficient, feasible development capacity and enabling development to meet demand including:</p> <ul style="list-style-type: none"> • Changes to plans and regional policy statements including zoning, objectives, policies, rules and overlays that apply in both existing urban environments and greenfield areas • Integrated and coordinated consenting processes that facilitate development • Statutory tools and other methods available under other legislation. <p><i>These policies apply to local authorities with a High-Growth Urban Area within their district or region. Local authorities with a Medium-Growth Urban Area within their district or region are encouraged to give effect to these policies. The application of the policies is not restricted to the boundaries of the Urban Area.</i></p>	<p>PD3. Local authorities that share jurisdiction over an Urban Area are strongly encouraged to cooperate and agree upon:</p> <ul style="list-style-type: none"> • The specification of minimum targets and their review • The development of a joint future development strategy. <p>PD4. Local authorities shall work with providers of development infrastructure and other infrastructure in preparing the future development strategy.</p>
<p>PC5-11. Local authorities shall set minimum targets for sufficient, feasible development capacity for housing. Regional councils shall incorporate these into their regional policy statement and territorial authorities shall incorporate these as an objective in their relevant plan.</p> <p>Minimum targets shall be set for the medium and long terms and reviewed every three years. When evidence shows that the minimum targets set in the regional policy statement or relevant plans are not sufficient, local authorities shall revise those minimum targets.</p> <p>Local authorities shall set and revise the minimum targets in their regional policy statement or relevant plan without going through the consultation process set out in Schedule 1 of the RMA.</p>			

	<p>PB4. The assessment shall estimate the additional capacity needed if any of the above factors indicate that the supply of development capacity is not likely to meet demand in the short, medium or long term.</p> <p>PB5. In carrying out the assessment local authorities shall seek and use the input of iwi authorities, the property development sector, significant land owners, social housing providers, requiring authorities and the providers of development and other infrastructure.</p> <p>PB6. To ensure they are well-informed about demand, development capacity, urban development activity and outcomes and how planning decisions may affect this, local authorities shall monitor quarterly:</p> <ul style="list-style-type: none"> • Prices and rents for housing, residential and business land by location and type; and changes in these over time • Resource and building consents relative to population growth • Indicators of housing affordability. <p>PB7: Local authorities shall use information provided by indicators of price efficiency in their land and development market, such as price differentials between zones, to understand how well the market is functioning and how planning may affect this, and when additional development capacity might be needed.</p> <p><i>Local authorities are encouraged to publish the housing and business development capacity assessment under PB1 and monitoring results under PB6 and PB7.</i></p>		
<p>PC12-14. Local authorities shall produce a future development strategy that demonstrates there will be sufficient, feasible development capacity in the medium and long terms and that the minimum targets will be met. This strategy shall:</p> <ul style="list-style-type: none"> • Identify the location, timing and sequencing of future development capacity for the long-term, including both future greenfield areas and intensification opportunities in existing urban environments • Balance certainty about future urban development with being responsive to demand. <p>This strategy:</p> <ul style="list-style-type: none"> • Shall be informed by the relevant long term plans and infrastructure strategies under the Local Government Act 2002 (LGA) • Can be incorporated into a non-statutory document outside the RMA. <p>In developing this strategy local authorities should:</p> <ul style="list-style-type: none"> • Undertake a consultation process that complies with either Part 6 of the LGA, or Schedule 1 of the RMA • Be informed by the housing and business development capacity assessment • Have particular regard to policy PA3 when considering how to provide development capacity. 			

Timeframes for Implementation

	Immediate effect	2017	2018	2019	2020	2021	2022
Objectives (OA1 - OD2)							
Outcomes (PA1 – PA4)							
Responsive Planning (PC1 to PC4)							
Coordinated Evidence and Decision-Making (PD1 – PD2)							
Coordinated Evidence and Decision-Making (PD3 – PD4)							
Monitoring market indicators (PB6)							
PB6 - <i>newly defined as medium growth only</i>							
Indicators of price efficiency (PB7)							
PB7 - <i>newly defined as medium growth only</i>							
Housing and business assessment (HBA) (PB1) – High-Growth Urban Areas			●			●	
HBA (PB1) – High-Growth Urban Areas- <i>newly defined</i>			●			●	
Housing and business assessment (HBA) (PB1) – Medium-Growth Urban Areas				●			●
HBA (PB1) – Medium-Growth Urban Areas- <i>newly defined</i>				●			●
Minimum targets in RPS (PC5)				●			●
Minimum targets in district plans (PC9)				●			●
Future development strategy (PC12- PC14)				●			●

Appendix 2: Detailed findings

The feedback given to questions has been grouped into general categories in this section, as opposed to the responses to each individual question posed.

1. Did your council meet the reporting deadline for the policies?

Policy	Medium-Growth Councils (per cent)		High-Growth Councils (per cent)	
	Yes	No	Yes	No
PB1 to 5	30	70	40	60
PB 6	75	25	40	60
PB 7	40	60	60	40

2. What was the estimated time it took for you to prepare the information to report on PB1 to PB5?

The time spent delivering the obligations under PB-1 through PB-5 varied due to a variety of reasons such as size, expertise of internal staff and data available. In particular:

- For high-growth councils the time spent was dependant on how many staff (internal and external) were mobilised to complete various parts of the reporting. For example:
 - One high-growth council partnership, the obligations in PB1 to 5 took a FTE 18 months to collate the report;
 - Another high-growth council estimated time spent 7 months, utilising a team of FTEs from all the partnership councils, external consultants and an external Project Manager; and
 - A council which contracted the entire report to an external consultant estimated it took seven months, with a further two months of existing FTE time spent reviewing the report.
- By February 2019, one of the high-growth councils interviewed had not yet completed the report due to a re-modelling of the HCA and BCA.
- Medium-growth councils spent between 12 and 17 months preparing to report on PB1 to PB5. By February 2019, one of the medium-growth councils interviewed had not yet completed the report and estimated that they had spent 14 months to date, with the hope of delivering in April 2019.

3. What was the estimated time it took for you to prepare the information to report on PB6?

Both medium-growth and high-growth councils reported an initial lead-in time to report on PB6 of between 3 - 8 weeks. In particular:

- The difference in time spent between councils was based on factors such as capacity, internal systems and staff expertise, and availability of the data. This is evidenced by the medium-growth council that spent the most time in the lead-in to the report, noting factors such as lack of systems to retrieve the data and capacity of internal staff to complete the work. Whereas the two high-growth councils and medium-growth who took the least time, noted the benefit of having much of the required information prior to the PB6 reporting obligations.
- All councils noted that most of the time spent was on the initial report and generating base line statistics and, following that, the lead-in time has/will decrease significantly. Medium-growth councils spent between eight – 15 hours.
- While some councils noted the initial complexity in pulling together the data required, the exercise as a whole was valued by many councils for feeding into other planning initiatives.
- More than 50 per cent of all councils interviewed expressed dissatisfaction with the frequency of PB6 monitoring/reporting. Annual reports were preferred by the medium-growth councils, whereas high-growth councils considered biannual monitoring/reporting more effective.
- One council recommended that further guidance be provided around the 'input of iwi authorities' such as the extent or examples of how to facilitate this input.

4. What was the estimated time it took for you to prepare the information to report on PB7?

Medium-growth councils estimated a preparation time ranging between one - three days. High-growth councils estimated a time ranging from one day to seven weeks. In particular:

- The variance of time spent on PB7 for all councils surveyed is, in large part, due to different complications with the data received from MBIE. In at least three council examples, the data needed to be re-worked in order to make it 'fit for purpose' in the specific region. This was the case for the medium and high-growth councils that spent the most time on PB7 requirements. The same high-growth councils required the assistance of an external consultant to complete the price differential and

market functionality assessment. This was estimated to take at least four weeks, noting that the consultant found 'fundamental flaws' in the data, which also added to the time preparing information to report on PB7.

- Many medium-growth councils expressed difficulty in utilising the indicators which were described by some as "too complex" and "not fit for purpose".
- Many councils (medium and high-growth) expressed difficulty in applying the indicators to their specific locality. In order for the resulting data to be useful from a land-use perspective, a more 'bespoke' approach was suggested by one council to eliminate confusion raised through location specific issues.

5. How much additional time per week do you estimate reporting on the NPS-UDC required from your Council?

Additional time required from councils for reporting on the NPS-UDC varies significantly between councils depending on the capacity and expertise available internally, and the capacity of a limited pool of external economic consultants who were tasked with doing work for several councils at the same time.

- High-growth councils varied in additional time spent by between one additional FTE for one year, to six internal staff members working at 80 per cent capacity for 1.5 years. The variance is dependent on the council's partnership relationships, internal expertise, internal governance processes, how much individual feedback/guidance was required from MBIE and MfE, and any delay in the use of external economic consultants.
- Medium-growth council's estimates on additional time spent on reporting varied between one to 2.5 additional FTE's annually. The variance is dependent on the same reasons listed above.
- One large high-growth council stated that the additional time commitment was "minimal", and most of the work was absorbed easily and internally. It should be noted that this council had extensive data available prior to the obligations of the NPS-UDC and were well equipped and much more familiar with the type of data and modelling assessments employed by the NPS-UDC.

6. Can you provide an estimate of the cost to report on the NPS - UDC three-year report?

Estimates from councils interviewed ranged from \$20,000 to \$300,000. The high end of this range was for a high-growth council partnership which encountered complications with work from external consultants, resulting in their fee almost doubling.

The majority of councils interviewed estimated a cost ranging from between \$80,000 to \$180,000. Most of these costs for all councils interviewed, were a result of contracting external consultants to perform various technical aspects of the NPS-UDC obligations such as the HCA and BCA.

The Council which estimated the lowest spend on the three-year report did not engage the services of any external consultants but noted the lack of technical analysis in the report as a result.

7. Can you provide an estimate of the cost to report on the NPS - UDC quarterly reporting?

Estimates of costs varied depending on specific circumstances and comprehension by individual councils of what was required (eg level of detail required for the report) for the quarterly reporting. Most councils (medium-growth and high-growth) estimated it took three - seven days and cost between \$2,500 to \$8,000. Most of this cost, for many councils, was representative of existing FTE time. The highest cost of the range represents a high-growth council which contracted out the reporting requirements entirely due to current lack of internal staff capacity.

8. How additional reporting is resourced?

Most councils interviewed absorbed the NPS-UDC reporting requirements using existing FTE. There were several councils who engaged new staff on contract specifically to complete the NPS - UDC. In particular:

- All councils interviewed used (to different extents) external consultants for the technical detail required for the reporting. Consultants included demographers, project managers, housing specialists etc. Consultant engagement was based largely on capability that the individual council lacked internally.
- One high-growth council partnership (ie councils within a region working together to meet reporting requirements) contracted external consultants to conduct the economic, spatial and GIS analysis. Though existing internal staff were capable of performing the analysis, they were hindered by time constraints and internal projects held priority.
- Another high-growth council partnership commissioned planning, legal and economic review of the documents produced by external consultants creating extensive cost.
- Most councils expressed significant difficulty resourcing an adequate amount of internal staff to complete the reporting requirements of the NPS-UDC. This was due to a combination of the reporting and assessment requirements being a steep learning curve for many councils, and the difficulty in

completing the NPS-UDC obligations alongside various internal projects being completed at the same time.

- Most councils noted the difficulty in resourcing funding to complete the NPS-UDC requirements. Some councils recommended that the resourcing for more technical requirements of the NPS-UDC be funded centrally to relieve the financial and workload pressure on smaller authorities.
- One medium-growth council recommended the consolidation of cost between councils in similar regions for technical consultant engagement. The same council was unable to provide any technical analysis on the BCA due to lack of data or funding to engage an external consultant to carry out the work.

9. What, if any, difficulties have you encountered in resourcing staff for reporting on the NPS-UDC?

Several councils expressed a moderate to high degree of difficulty in resourcing staff, expertise and capacity to meet the obligations of the NPS-UDC. Most of the councils who expressed the highest degree of difficulty were medium growth councils (including those newly defined as medium-growth council as at December 2017). High-growth councils particularly those in partnership relationships with neighbouring councils of a lower growth status, also expressed significant difficulty.

- The majority of Councils (medium-growth and high-growth) employed the expertise of external consultants to perform the technical requirements (HCA and BCA). Two of the councils interviewed contracted an external project manager
- Several councils noted the limited number of experts in New Zealand able to carry out the technical assessment required by the NPS-UDC. Most of the councils interviewed contracted the same consultants to deliver the work
- There were a few examples of councils who had internal staff experienced in the delivery Urban Development Capacity assessments and modelling. These councils expressed how crucial these staff were, not only to complete the work, but to communicate the data to other staff and councillors
- Four councils created new full-time roles or teams as a result of the requirements of the NPS-UDC. Two of the roles began as fixed term contracts.
- Larger sized councils in partnership agreements expressed a difficulty in having to undertake larger portions of the work on behalf of smaller sized councils in the partnership, who were often ill-equipped to handle their assessment and reporting obligations of the NPS-UDC.

10. General comment

Several councils noted that, due to the fact councils tend to plan in detail up to 10-years out under LTP processes, 30-year assessments are of “limited utility” and “speculative value” because of the variables that exist within such a timeframe.

There was a clear difference in experience between councils who had staff with the expertise to understand and deliver the requirements of the NPS-UDC and councils who did not, highlighting the shortage of expertise in urban development capacity economics in some local authorities.

Councils in certain regions expressed difficulty with private developer engagement. Many noted that developers were not willing to share information that may benefit direct competitors in the market.

Most medium-growth councils noted the benefit of collaboration with neighbouring councils for the sharing of expertise and to avoid more remote councils from being siloed.

Despite its challenges, most councils found the NPS-UDC to be a valuable exercise. There are several examples where the work completed under NPS-UDC fed into other planning initiatives, council processes and in one example aided council in Environment Court hearings.

Many councils expressed sentiment that a lot of the issues faced were “teething” problems that will be resolved in coming years as councils become more equipped (e.g. the level of detail required in reporting).

Quarterly monitoring was mentioned by most councils as too frequent - most councils, and particularly medium growth councils, saw it as too frequent to be monitoring any change.

Many councils noted that data was available easily through MBIE’s Urban Development Capacity Dashboard and most time delays were a result of internal issues (e.g. collating data from internal consent teams, coordinating partners to deliver on required information). However, many councils also noted the inconsistency of staggered updates to data in the MBIE Dashboard. One council recommended that an email be sent when the latest data was fully available.



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