

NOTE: As a result of decisions taken by Cabinet, the Cabinet Minute differs from the recommendations contained in this Cabinet paper in the following ways:

- *Recommendation 11 was amended to remove the requirement for councils to provide development capacity in line with current requirements, where this exceeds 30 years of housing demand (relevant paragraphs: 40.2 and 43)*
- *Recommendation 18, prohibiting councils from imposing rural-urban boundary lines, was added*
- *Recommendation 19.2, directing officials to explore options to enable better management of carparking, was added*

In Confidence

Office of the Minister of Housing

Cabinet Economic Policy Committee

Going for Housing Growth: Implementing the First Stage

Proposal

- 1 This paper seeks agreement to a first tranche of decisions to implement the Government's Going for Housing Growth (GfHG) plan, and signals the direction of travel for other workstreams in the plan.

Relation to government priorities

- 2 The decisions sought in this paper will support the government to achieve its overall priorities in delivering better housing and infrastructure.
- 3 It delivers on a key action in the Government's second quarter action plan, and in the coalition agreement between the National and ACT parties, to take decisions to implement the GfHG plan while making the Medium Density Residential Standards (MDRS) optional for councils.
- 4 It reflects the commitment in both the National and ACT, and the National and NZ First coalition agreements to make decisions that "drive meaningful improvement in core areas including... improving housing affordability."
- 5 This paper follows Cabinet endorsement of the Cabinet paper "Fixing the Housing Crisis" in December 2023 [CAB-23-MIN0498]. Cabinet agreed to the progression of reforms to the Resource Management Act (RMA) and the GfHG work programme detailed in this paper.

Executive Summary

- 6 New Zealand's housing market is among the least affordable in the world, in large part due to restrictions on housing supply. To fix the housing crisis, it is essential we increase the supply of housing in this country.
- 7 Our GfHG plan will address the underlying causes of this housing shortage across three workstreams agreed by Cabinet in December:
 - 7.1 freeing up land for development and removing unnecessary planning barriers;
 - 7.2 improving infrastructure funding and financing; and

- 7.3 providing incentives for communities and councils to support growth.
- 8 These workstreams work as a package to ensure more responsive land supply and development capacity creates more opportunities for development (i.e. more competitive urban land markets) that shift market expectations of future scarcity and bring down the price of land. This will support efficient urban development, increase housing supply, and lift productivity in our cities.
- 9 This paper seeks a first tranche of decisions needed to meet our coalition commitments and to free up land for development (under workstream one *freeing up land for development*). This includes proposals to:
- 9.1 Deliver on our coalition commitment to make the MDRS optional for councils, subject to councils demonstrating that they comply with new Housing Growth Targets and that there is no net loss in feasible development capacity relative to the current requirements. Councils would take a ratification vote to determine whether they plan to retain, alter, or remove the MDRS from their urban areas, which would be the first step in a process to opt out.
- 9.2 Set requirements for Housing Growth Targets to ensure that Tier 1 and 2 councils provide sufficient, live-zoned development capacity (both 'up' and 'out') to support 30 years of housing demand, that is economically feasible to deliver, with strengthened modelling and monitoring requirements, including the use of appropriate growth projections and land-market efficiency indicators.
- 9.3 Enable more greenfield housing by progressing work to enable better long term spatial planning by making changes to Future Development Strategy (FDS) requirements in the National Policy Statement on Urban Development (NPS-UD), such as through changes to information requirements and extending growth planning and corridor protection horizons (i.e. up to 50 years).
- 9.4 Progress work on options to change the responsiveness policy in the NPS-UD such as better supporting developers to undertake private plan changes and bring forward areas of growth, particularly in greenfield areas where there is agreement on infrastructure funding.
- 9.5 Enable more housing in areas people want to live by strengthening the intensification provisions in the NPS-UD, including enabling more housing around strategic transport corridors, setting minimum catchment sizes within which councils must enable intensification, and placing further requirements around the use of 'qualifying matters' which can be used to avoid intensification.
- 9.6 Better-enable mixed-use development by requiring Tier 1 and 2 councils to enable a baseline level of small-scale mixed use across their urban

- areas, and building on this by requiring Tier 1 councils to enable small-to-mid-scale mixed-use in intensification areas.
- 9.7 Remove the ability for councils to set rules that require balconies, or floor areas to be of a minimum size, to enable more homes to be built at a cheaper price point.
 - 9.8 Introduce new requirements for councils to 'show their working' regarding their compliance with Housing Growth Targets, with new powers to address non-compliance with national direction on housing matters.
- 10 My expectation is that the changes set out above (including those relating to the Housing Growth Targets, spatial planning, and the NPS-UD's responsiveness requirements) will result in the effective abolition of the Rural-Urban Boundary as a planning instrument in Auckland, and similar approaches elsewhere.
 - 11 I intend to progress these changes via a combination of a Resource Management Amendment Bill ('RM Bill 2') and the national direction package currently being developed, with the aim of having legislation and national direction finalised by mid-2025.
 - 12 To shift market expectations that there will be a strong, ongoing pipeline of development opportunities (both inside and at the edges of our urban centres) that can help to bring down the price of land and support housing affordability, the policy direction needs to be seen as credible and enduring.
 - 13 Critical to this is councils being supportive of the approach and not viewing the approach as exposing them to greater cost or risk. Improvements to spatial planning can help to do this and make it easier for councils to plan for growth. Alongside this I am also considering changes that:
 - 13.1 Address the financial risk that councils currently bear from growth infrastructure, by improving the tools available to fund and finance infrastructure to support growth, including through greater use of pricing and value-capture, as well as risk transfer to the private sector (workstream two).
 - 13.2 Create new, direct financial incentives for councils to support growth, such as through central government sharing more of the economic dividend from housing and urban growth via some form of transfer (workstream 3).
 - 14 We cannot solve the housing crisis without building more houses, and we cannot build more houses without the appropriate infrastructure. Right now, councils are constrained in how they fund and finance infrastructure, which discourages growth.
 - 15 Cabinet recently approved a work programme enabling a consistent approach to infrastructure funding and financing [CAB-24-MIN-0181].

- 16 That work programme broadens and enhances the funding and financing tools available to the Crown and councils. This includes the development of a value-capture framework, improvements to the Infrastructure Funding and Financing Act 2020, tolling reform, and road-user charging. This will give councils the tools they need to enable the infrastructure needed to support new housing development.
- 17 I will bring decisions on this infrastructure funding and financing workstream to Cabinet in the second half of 2024 and consider options for financial incentives to s 9(2)(f)(iv) [REDACTED]

Background

- 18 In December 2023 Cabinet considered the fundamental problems driving New Zealand's housing crisis (including insufficient land supply, infrastructure funding and financing challenges, and poor incentives for councils to support growth) and the far reaching social and economic consequences of poor housing supply. Cabinet agreed to a programme of work to advance the GfHG priority [CAB-23-MIN0498]. Since then further work has been done and this paper seeks decisions on the next stage of the work.
- 19 New Zealand's housing market is among the least affordable in the world, in large part due to restrictions on housing supply. In the year to June 2023, 45 percent of renting households spent at least 30 percent of their post-tax income on housing.
- 20 Over multiple inquiries, the Productivity Commission found that the operation of planning systems needs to change and that councils and the government need to create a credible commitment to release and service more land to bring land price inflation under control.¹
- 21 The Housing Technical Working Group has found that the key drivers of higher house prices in New Zealand over the past 20 years is the combination of a global fall in interest rates, the tax system, and restrictions on the supply of urban land. It found that, had there been fewer restrictions on the supply of land, the global fall in interest rates, and subsequent demand to buy homes, would have led to a larger housing supply response, rather than leading to higher urban land prices.²
- 22 Poor housing affordability has had far-reaching consequences for New Zealand's economic growth, as well as long-term social and environmental outcomes. It has

¹ Productivity Commission (2017) Better Urban Planning – Final report; Productivity Commission (2015) Using Land for Housing – Final Report; Productivity Commission (2012) Housing Affordability – Final Report.

² Housing Technical Working Group (2022) Assessment of the Housing System: with insights from the Hamilton-Waikato area. Note the Housing Technical working Group is a joint initiative of the Treasury, Ministry of Housing and Urban Development and Reserve Bank of New Zealand.

dampened growth in our towns and cities, stymied our productivity, locked young people out of the housing market and has resulted in the Government spending over \$5 billion a year on housing assistance.³

- 23 The GfHG work programme, agreed by Cabinet in December, is structured around three elements designed to address the underlying causes of this persistent supply shortage:
- 23.1 Freeing up land for urban development and removing unnecessary planning barriers;
 - 23.2 Improving infrastructure funding and financing to support urban growth; and
 - 23.3 Providing incentives for communities and councils to support growth (i.e. addressing the political economy of urban growth).
- 24 The workstreams under these three elements are inter-dependent, and will work together to meet the overarching objective which I propose is: *improving housing affordability and increasing competition in urban land markets by significantly increasing the supply of developable land for housing, both inside and at the edge of our urban areas.*
- 25 The GfHG programme is designed to address the problem of excessively high land prices which are driven by market expectations of an ongoing shortage of developable urban land to meet demand. This is shown in high land-price differentials between urban and non-urban zoned land, which are unexplained by infrastructure costs alone. For example, each square metre of urban land at Auckland's fringe costs 4.2 – 4.4 times more than nearby rural land. This zoning premium doubled between 2011 and 2021. There is some evidence of these differentials in other Tier 1 cities (excluding Christchurch) and Queenstown.⁴
- 26 The workstreams operate together to support more competitive urban land markets, support efficient urban development, increase housing supply, enable people to better access more jobs, support the growth of businesses, and lift productivity in our cities.
- 27 The GfHG package will ensure there is an abundance of land for development and minimise the extent to which infrastructure funding is a constraint on development. This will reduce incentives for land-banking, and enable urban growth and expansion, ending the use of hard urban limits in land-use plans. My

³ In 2023/24 this included \$2,559m in accommodation supplement and temporary additional support; \$1,537m in income related rent subsidies/operating supplements; \$378m in transitional housing; \$325m in emergency housing special needs grants; \$95m on public housing services; over \$94m in MSD housing support products and services; \$31m in community group housing; and \$27m in contracted emergency housing. This does not include funding for other housing supply programmes such as land for housing, first home buyer support, progressive home ownership and affordable rentals.

⁴ New Zealand Infrastructure Commission. (2023). Urban land prices – a progress report.

intention is that we move to a more responsive system where developers are better able to bring forward growth areas subject to their willingness to fund the infrastructure required to support that growth.

- 28 The decisions sought in this paper largely sit under the first element of GfHG (freeing up land for development). This paper also signals direction on the infrastructure funding and financing and council incentives elements. The decisions in this paper are needed now to give councils certainty as we work on a more fundamental reform of the resource management system [CAB-24-MIN-0069].
- 29 GfHG adds up to a significant change programme that will have resource implications for central and local government. It will be important to phase the work appropriately and support local government to implement the changes. While central government needs to be clearer about its expectations, a balance is needed between prescription and support, given that effective implementation will rely on local government support.
- 30 The advice underpinning decisions sought in this paper have been discussed and tested with the Housing Expert Advisory Group, which consists of six experts in economics and urban policy appointed to advise the Ministry of Housing and Urban Development.⁵

Freeing up land for development

Making the Medium Density Residential Standards optional for councils

- 31 The National-Act Coalition Agreement commits to making the MDRS optional and requiring their ratification by councils. The MDRS, put in place by the Resource Management (Enabling Housing Supply) Amendment Act 2021, require Tier 1 councils⁶ (and Rotorua at the council's request) to enable up to three dwellings of up to three storeys on most sites across their urban area as of right without a resource consent. The MDRS are made up of prescriptive standards relating to matters such as building heights, setbacks, and site coverage.
- 32 The MDRS were a well-intentioned attempt to significantly boost development capacity across our largest cities. However, they have not been well-received by some councils and communities due to the prescriptive requirements and concerns about impacts such as sunlight loss from new developments.
- 33 Councils are implementing the MDRS and NPS-UD intensification rules as part of the same plan change process. Councils are at different stages of

⁵ Members of the group that had input to the advice underpinning this Cabinet paper are: Kevin Counsell, Eric Crampton, Stuart Donovan, Marko Garlick, Malcolm McCracken, Stuart Shepherd.

⁶ Tier 1 and Tier 2 councils are listed in Annex 1. I am considering whether the Tiers remain fit-for-purpose or whether any changes are required.

implementation. As of June, eight of the 15 councils that are required to implement the MDRS have done so (including Wellington City), with seven councils (including Auckland, Hamilton City, and Christchurch City) not yet having completed their plan changes. Table 1 shows which councils are currently required to implement the MDRS and where each council is up to.

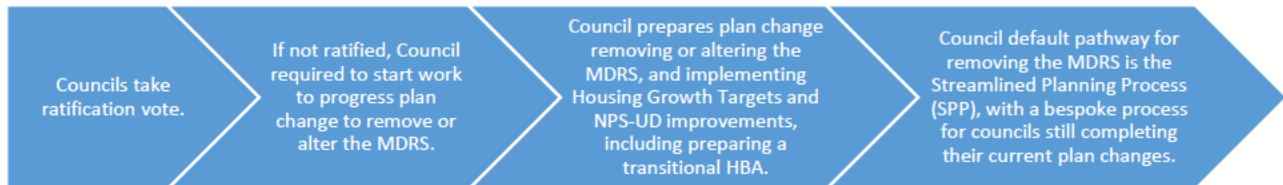
Table 1: Status of council plan changes to implement the NPS-UD and MDRS

Council	Status	Current deadline for completion
Kāpiti Coast District Council	Completed	
Selwyn District Council	Completed	
Hutt City Council	Completed	
Porirua City Council	Completed	
Upper Hutt City Council	Completed	
Western Bay of Plenty	Completed	
Rotorua District Council	Completed	
Wellington City Council	Completed	
Tauranga City Council	Substantive plan change: Council decision on IHP recommendations made on 20 May 2024. Two recommendations were rejected and referred for Ministerial decision. Variation 1 – Tauriko West Growth Area: Public submissions period has closed. Hearings scheduled for late 2024/early 2025.	30 June 2024 (for its substantive plan change) 31 December 2025 (for Variation 1: Tauriko West Growth Area)
Waikato District Council	Hearings complete	31 March 2024, extension requested to 6 December 2024
Waipā District Council	Hearings complete.	30 August 2024
Waimakariri District Council	Hearings yet to commence.	17 December 2024
Hamilton City Council	Hearings yet to commence.	20 December 2024
Christchurch City Council	Hearings complete.	12 September 2024 (NPS-UD) 12 December 2025 (MDRS)
Auckland Council	Plan change hearings paused.	31 March 2026

Process to make the MDRS optional

- 34 I propose to require in legislation that all councils currently required to implement the MDRS must carry out a ratification vote to determine whether they plan to retain, alter, or remove the MDRS from their urban areas. Councils will then need to notify me and the Minister for the Environment of their decision in writing. If the council chooses to alter or remove the MDRS in its ratification vote, the council must start work to progress a plan change that proposes to give effect to this. A vote to alter or remove the MDRS would have no immediate impact on the legal status of the plan (i.e. where it is already in place, the MDRS would remain operative until a plan change process is completed to remove or alter it).
- 35 It is important that the overall development capacity enabled under current requirements (including the MDRS) is not reduced in the transition to our new approach (including Housing Growth Targets, discussed below), as this could exacerbate the construction sector downturn currently taking place. I therefore propose to provide that councils that have already implemented the MDRS and NPS-UD should not be able to remove the MDRS until they have implemented their Housing Growth Targets. This was a key feature of National’s Going for Housing Growth policy, adopted in the National and ACT Party coalition agreement.
- 36 I propose to amend the RMA so that a variation of the Streamlined Planning Process (SPP) is mandatory for councils who vote to remove or alter the MDRS. This is a faster process than the RMA’s standard plan change process and provides for central government oversight and approval of council plan changes. Currently, councils are required to apply to the Minister for the Environment for approval to use the SPP process, but to provide assurance about the capacity being enabled, I propose to make this the default pathway.
- 37 The figure below demonstrates a likely process that councils could follow to ratify and opt out of the MDRS.

Figure 1: Example process for councils removing or altering the MDRS



- 38 For councils that have not yet completed plan changes to implement the MDRS and NPS-UD, in my capacity as the Minister Responsible for RMA Reform I am making decisions regarding the process requirements for each council on a case-by-case basis, reflecting each council’s differing circumstances. While I do not want councils to undertake unnecessary work to put the MDRS in place if they

plan to amend or remove it, an overarching objective is to get the intensification policies of the NPS-UD (discussed below) in place as soon as possible, given the significant development capacity it will unlock across our towns and cities. For example:

- 38.1 I have given Auckland Council an extension of time to complete its plan change until 31 March 2026, acknowledging the complex interactions between its plan change and its natural hazard work in response to the 2023 Auckland Anniversary floods and Cyclone Gabrielle severe weather events. However, after consultation with the Mayor, I have asked the Council to progress implementing parts of the NPS-UD requirements where there are little to no flooding impacts.
- 38.2 In Christchurch, I have asked the council to implement the NPS-UD intensification requirements as originally scheduled (12 September 2024). I have given the Council an extension for the other elements of its plan change until 12 December 2025.
- 39 I will take specific decisions on the process for each council that has not yet completed its plan change by the time legislation has passed in line with the delegations proposed later in this paper.

Housing Growth Targets

- 40 I propose to set ambitious Housing Growth Targets for Tier 1 and 2 councils as the centrepiece of our work to free up land for development. These will require councils to 'live-zone' at any one time the greater of:
- 40.1 Development capacity to provide for at least 30 years of housing demand at any one time; or
- 40.2 The amount of development capacity that is or would be enabled under current requirements.
- 41 Live-zoning means to provide for housing to be enabled (i.e. land can be used for housing, potentially subject to needing a resource consent) in an operative (i.e. in effect) district or unitary plan.
- 42 In addition to being live-zoned, development capacity will need to be assessed as being feasible (commercially viable for a developer to build at a profit), to ensure that the type of development capacity councils enable is likely to be able to be developed in practice.⁷ Councils will be able to live-zone additional capacity that is not feasible to develop, but this will not count towards the Housing Growth Targets.

⁷ These requirements are similar to those currently contained in the NPS-UD.

- 43 Currently, the NPS-UD requires councils to *plan* for 30 years of housing demand. Annex 2 sets out current requirements. However, it only requires councils to ‘live-zone’ feasible development capacity to meet three years of demand at any one time. In practice, many councils live-zone for more than three years of demand, and some councils consider that the MDRS and the intensification policies of the NPS-UD (both discussed further below) are – or will – collectively enable development capacity to provide for more than 30 years of housing demand in their cities. I therefore propose that current development capacity requirements be set as a floor to guarantee no loss of development capacity from the new approach. A key difference from the status quo is that councils will have more choice about where they enable growth.
- 44 While district and unitary plans will need to live-zone enough feasible development capacity to provide for 30 years of housing demand, infrastructure constraints may mean that some of this land is not immediately developable. To comply with the NPS-UD currently, three years of development capacity needs to be supported by trunk infrastructure ‘in the ground’. Remaining development capacity needs to either be supported by funding for infrastructure in a council’s Long-Term Plan (for development capacity to meet medium-term demand) or Infrastructure Strategy (for development capacity to meet long-term demand).
- 45 I propose to retain these general requirements, but with amendments to reflect the introduction of Local Water Done Well⁸, as well as to reflect other sources of funding for infrastructure, such as development agreements, the Infrastructure Funding and Financing Act 2020, and central government. These requirements are intended to provide a level of confidence that appropriate planning is being undertaken for infrastructure that will support development capacity enabled to meet Housing Growth Targets. However, it is important to note that councils will not be responsible for funding or delivering all infrastructure required to support housing, and development will not be prohibited purely on the basis that supporting infrastructure is not included in a Long-Term Plan or equivalent.
- 46 To meet these Housing Growth Targets, it is likely that councils will need to enable development capacity both ‘up’ (brownfields development) and ‘out’ (greenfields development). Councils opting out of the MDRS (discussed above) are likely to need to enable more greenfields development than those that choose to retain it.
- 47 There is the potential that requirements to ‘live-zone’ sufficient feasible development capacity to meet 30 years of housing demand could increase demand for infrastructure investment if the locations of new housing developments become more dispersed. To manage these pressures, I intend to enable councils to place conditions on live-zoned land to ensure that key

⁸ s 9(2)(f)(iv)

infrastructure will have been built before development occurs (known as 'infrastructure triggers'). However, once the infrastructure is in place, no further plan change would be required for land within scope of the Housing Growth Targets. It is possible that amendments to the RMA will be required to better-facilitate the use of 'infrastructure triggers'. If so, I will progress these changes through a Resource Management Amendment Bill ('RM Bill 2'). As outlined later in this paper, I will also progress changes to funding and financing tools to ensure that growth costs for infrastructure are funded through rates and levies on new developments.

- 48 Under the NPS-UD, councils are required to prepare Housing and Business Development Capacity Assessments (HBAs) at least every three years that set out projected demand for housing and business land and calculate the development capacity enabled in their plans to meet this. The NPS-UD provides significant discretion to councils about how they calculate both demand and their provision of development capacity. It is important that we have confidence that demand for housing is not being understated, or that the amount of available and feasible development capacity is not being overstated. I therefore propose that we require councils to use 'high' demand projections, and strengthen requirements and guidance for how councils model how much capacity is live-zoned, feasible, and 'infrastructure-ready'.
- 49 Annex 2 shows how much development capacity is currently enabled in Tier 1 areas, based on information from HBAs. The extent to which councils will need to make changes to meet the Housing Growth Targets is unclear. It will depend on the detailed design of the targets, such as changes to how demand is determined, and changes relating to how councils model whether development capacity is feasible and infrastructure-ready. However, based on information from the most recent HBAs, indications are that Auckland and Christchurch may already provide sufficient development capacity to comply with the targets, but for other councils the evidence is either unclear or it is likely more development capacity would need to be provided.
- 50 It is important that development capacity requirements are also informed by indicators of how land markets are functioning, such as measures of urban fringe land price differentials or price-cost ratios. I propose to set new requirements that price indicators do not deteriorate (and ideally improve) over time as a measure of how well land markets are functioning, accompanied by the enforcement powers for central government discussed below.
- 51 There are some complexities associated with putting such a requirement in place. For example, further work is needed to design price indicators that can accurately reflect the impact of land supply (as opposed to other factors) on prices, and on measuring urban fringe differentials for territorial authorities without significant non-urban areas. There are also costs and capability issues associated with regularly measuring these indicators. Officials will undertake

more work to address these and other issues before any new requirements are introduced.

Greenfield growth, effective spatial planning and greater responsiveness to market demand

- 52 To solve our housing crisis, going 'up' won't be enough on its own. We have to enable more greenfield housing on the edge of our cities.
- 53 Effective spatial planning, including through the FDSs that councils are required to prepare under the NPS-UD, can provide more certainty to developers, infrastructure providers, and local communities; lower the costs of growth (through greater integration, efficient delivery of infrastructure and economies of scale); and ultimately incentivise councils to support greenfield growth.
- 54 Under the NPS-UD, Tier 1 and 2 councils must prepare FDSs, which are required to spatially identify broad locations in which growth will be enabled, the infrastructure required to service that growth, and any constraints on development, over a 30 year time horizon.
- 55 Effective spatial planning is critical to wider GfHG outcomes because it can:
- 55.1 Identify broadly where future development capacity to meet Housing Growth Targets will be provided, guiding efficient infrastructure planning and funding decisions,
 - 55.2 Ensure long-term land-use planning is integrated with infrastructure, including corridor and site protection over a longer time horizon (i.e. up to 50 years).
 - 55.3 Support flexibility and developer-led growth, by providing good quality information about where and when future development capacity and infrastructure is expected to be provided, which, together with improvements to infrastructure funding and financing, will provide a better basis for developers to bring forward growth areas where they can meet the costs of development.
 - 55.4 Provide certainty that strategic growth planning will flow through to implementation, supporting joint planning and integrated investment by local and central government and other parties.
 - 55.5 Address disincentives for councils and communities to support growth by making it easier for councils to plan for future growth.
- 56 While they have delivered important benefits, there are some issues with FDSs (and spatial planning more broadly in NZ), and opportunities to make FDSs more effective and improve their ability to support long-term GfHG objectives. This includes often weak connections to long term objectives like improving

productivity, inconsistent approaches to the evidence and demand assumptions used, insufficient legal weight which means that the strategic direction does not flow consistently through to land use decisions under the RMA or infrastructure investment decisions, and other implementation constraints, such as uncertain involvement and endorsement from central government.

- 57 I propose to direct officials to consider options to improve FDS requirements in the NPS-UD, to ensure that settings better reflect GfHG objectives. FDSs would be supported by clear and consistent evidence, which can make it easier for councils to plan for future growth, indicate future areas of growth over a longer time horizon (e.g., up to 50 years), provide more certainty and transparency to developers and local communities, and ultimately lower the costs of future growth (e.g. via more efficient use of infrastructure, advanced corridor protection etc.).
- 58 I also propose to consider advice on what legislative change might be required to further strengthen the role of spatial planning in land-use and infrastructure decision making, and I will report back to Cabinet on this in the second half of 2024.
- 59 Through the important long-term information they provide, spatial plans are a pre-requisite for taking a much more flexible, responsive approach to managing the release of development capacity through private plan changes. Developers will have greater opportunity to bring forward the ‘release’ of future growth areas and/or to identify suitable new growth areas (both within the existing urban area and at the urban periphery) subject to their willingness to meet the full costs of the infrastructure required to support growth.
- 60 The current responsiveness policy in the NPS-UD requires councils to have particular regard to private plan changes that provide significant development capacity that is not otherwise enabled in a plan or is not in sequence with planned release, if that development capacity would contribute to a well-functioning urban environment, is well-connected along transport corridors and meets criteria for significance.
- 61 I propose to direct officials to explore amendments to the responsiveness policy in the NPS-UD, such as ensuring there are better options for developers to bring forward areas of growth. This will include considering:
- 61.1 the criteria that triggers the responsiveness policy, e.g. ensuring the significance criteria of the responsiveness policy does not require the developer to ‘prove demand’ for the project;
 - 61.2 how the planning system might reflect work on infrastructure funding and financing that will provide consistent requirements that costs for growth infrastructure should be funded through rates and levies on new development. My intention is that councils would not turn down a private plan change because of infrastructure cost implications when a developer

can and is willing to pay the full costs of growth infrastructure including the cost of wider network impacts.

- 62 As part of this work, officials will investigate other potential improvements to make the process easier for developers to build necessary infrastructure.
- 63 My expectation is that the changes set out above (including those relating to the Housing Growth Targets, spatial planning, the NPS-UD's responsiveness requirements) will result in the effective abolition of the Rural-Urban Boundary as a planning instrument in Auckland, and similar approaches elsewhere.

Strengthening the intensification provisions of the NPS-UD

- 64 In addition to setting overall development capacity requirements, the NPS-UD also sets specific requirements for where councils must enable intensification, to ensure that the capacity that is enabled is in locations that are well-connected to businesses, services, and transportation. Currently, Tier 1 councils are required to enable:
- 64.1 In city centre zones: Building heights and density to realise as much development capacity as possible (Policy 3a);
- 64.2 In metropolitan centre zones (Policy 3b), and within a walkable catchment of city and metropolitan centre zones and existing and planned rapid transit stops (Policy 3c): Building heights of at least six storeys; and
- 64.3 Within and adjacent to neighbourhood, local, and town centre zones: Building heights and density commensurate with the level of commercial activity and community services (Policy 3d).
- 65 Existing intensification requirements provide a solid base, but in the context of allowing councils to opt-out of the MDRS it will be important that development capacity is still provided in locations where people want to live (such as areas of high demand and/or with high levels of accessibility). I propose a package of liberalisation and deregulatory measures that will collectively make it easier to build housing across our cities and enhance the rights of property owners.
- 66 Overall, the proposals discussed below will give councils more discretion about where and how they provide for growth within their cities.
- 67 These proposals are much less prescriptive than the MDRS, providing councils with an ability to design standards such as building height-in-relation-to-boundary to mitigate impacts such as sunlight loss. Councils will also retain the ability to manage development through requiring resource consents (within limits). As such, this package of changes helps bolster confidence that development capacity will be enabled in places where people want to live, while learning lessons from community responses to the MDRS.

- 68 The first change I propose is to restore the NPS-UD's baseline intensification requirements to their original position. Prior to the MDRS' introduction, Policy 3d of the NPS-UD required Tier 1 councils to deregulate to enable heights and densities commensurate with levels of demand and/or accessibility to businesses and services across all of their urban areas, noting the minimums for specific areas set out above. This requirement was narrowed when the MDRS was introduced because the MDRS arguably made this policy redundant outside of neighbourhood, local, and town centre zones. However, in making the MDRS optional, this rationale no longer applies, and I propose to return policy 3d back to its original scope.
- 69 While this is a useful change, it still provides significant scope for councils to interpret at their discretion. It is important that we have confidence that councils will be enabling development capacity in places where people want to live and where there are good transport connections. Currently, the requirement to enable at least six storey development around rapid transit only applies to Auckland and Greater Wellington's rail networks, and Auckland's Northern Busway. There are other areas across our cities that are well-served by good quality public transport that are well-suited to intensification. I therefore propose to:
- 69.1 Require councils to enable intensification around strategic transport corridors. Councils will be responsible for determining these corridors, subject to criteria set by central government. Examples of strategic corridors might include:
- 69.1.1 In Wellington, the main bus routes between Island Bay, the city centre, and Johnsonville; and between Karori, the city centre, and Miramar;
- 69.1.2 In Auckland, Dominion Road, Mt Eden Road, and Sandringham Road; and
- 69.1.3 In Christchurch, the main route between Belfast and the city centre; between the Airport and central city; and between the Hornby, Riccarton, and the city centre.
- 69.2 Simplify the definition of rapid transit, to address ambiguity in the current definition. This may involve simply listing the metropolitan train lines and busways that trigger upzoning (while future-proofing for new lines and busways that are developed).⁹
- 70 While councils are currently required to upzone within a walkable catchment of centre zones and rapid transit, the catchment size was intentionally not prescribed so as to provide for local circumstances. However, this has led to

⁹ Rapid transit is currently 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. There was significant debate about whether Wellington's Johnsonville Line met this definition.

significant debate about what is 'walkable', leading to costs and inefficiencies in the plan change process. To improve regulatory certainty and reduce costs for councils and ratepayers when implementing the changes proposed above, I propose to set minimum catchment sizes that councils must use, with catchment sizes based on the level of service provided by the type of centre or node (for example, there would be larger catchment sizes for city and metropolitan centres than around rapid transit stops).

- 71 Tier 1 councils are not required to implement the intensification provisions of the NPS-UD in particular areas if a 'qualifying matter' makes intensification inappropriate in those areas. This includes matters specifically listed in the RMA, such as natural hazards and historic heritage. Councils are also able to avoid upzoning due to an 'unlisted' matter, subject to meeting additional process and evidentiary requirements set out in the NPS-UD or RMA. Unlisted qualifying matters that have been used to avoid upzoning include special character¹⁰, infrastructure capacity, sunlight access and airport noise.
- 72 Qualifying matters play an important role in ensuring local councils and communities can limit intensification in areas inappropriate for further development. However, in many cases councils and Independent Hearings Panels considering plan changes have relied on unlisted qualifying matters without sufficiently justifying why the qualifying matter makes intensification inappropriate or properly undertaking a site-specific analysis. Any perception of misuse risks undermining the integrity of qualifying matters more generally.
- 73 I therefore propose to clarify that decision-makers must explicitly consider the process and evidentiary requirements in their decisions to use a qualifying matter to reduce density. This would ensure that decision makers must engage with the economic evidence and trade-offs that using qualifying matters entails, and test the robustness of evidence provided in reaching their decisions.
- 74 To better achieve the existing policy intent of the NPS-UD, I also propose to require that the loss of development capacity through use of an unlisted qualifying matter (including special character) is offset by a direct and corresponding increase in development capacity elsewhere. This change will allow councils to limit intensification in areas judged by local communities to be unsuited for further development, whilst preventing a net loss in housing.

Providing for mixed-use development

- 75 In addition to enabling more housing, in line with the proposals in the GfHG manifesto, I also want to ensure we are providing for liveable and attractive

¹⁰ Auckland Council has proposed subjecting 16,000 properties in central Auckland to character protections (down from 21,000 in the operative unitary plan). This is subject to recommendations from the Auckland Independent Hearings Panel. Under Wellington City Council's new district plan, special character protections apply to 85 hectares of inner-city housing. While a reduction from 300 hectares in the previous district plan, officials nevertheless have concerns about the process followed to retain these character areas.

neighbourhoods by appropriately enabling mixed-use development. Mixed-use development refers to enabling different types of activities to happen in proximity to each other. For example, areas may contain a mix of housing, supermarkets, cafes and offices. Mixed-use development can promote productivity and competition, support efficient land use, make a range of services more accessible, and create safer, more vibrant neighbourhoods and cities.

- 76 While there is still a need to separate conflicting activities (e.g. housing and industrial activity) from each other, I am concerned that council district and unitary plans are for the most part highly restrictive of enabling commercial and community activities in and around the areas that most people live, to an extent not always justified by the effects of different activities. I propose to issue national direction that requires:
- 76.1 Tier 1 and 2 councils to enable a baseline level of mixed-use across their urban areas. This might include, for example, allowing small-scale activities such as dairies and cafes to operate anywhere within urban areas, or activities of a greater scale if communities wish for this to occur.
- 76.2 On top of this, Tier 1 councils to enable small-to-mid-scale activities (that would need to be defined, such as cafes and restaurants, retail, metro-style supermarkets and offices) in areas subject to the NPS-UD's six storey (or greater) intensification requirements. Mixed-use is likely to be most viable in such areas, and 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 the effects may better align with the expectations of existing residents.
- 77 As with the NPS-UD's intensification requirements, councils could put in place rules to manage environmental effects including noise, and would not need to allow mixed-use in areas where a qualifying matter made mixed-use inappropriate.

Minimum floor area and balcony requirements

- 78 Some councils set minimum floor area and balcony requirements which can significantly increase the cost of new apartments, and limit the supply of lower cost apartments. In some cases, this can make development uneconomic, or push the cost of housing outside of the reach of first homebuyers.
- 79 Evidence from 2015 shows that in the Auckland market, these balcony size requirements increase the costs of an apartment by \$40,000 to \$70,000 per unit,

and minimum apartment sizes result in fewer low-cost dwellings being developed.¹¹

- 80 To address this, I propose we remove the ability for councils to set rules or guidelines that require balconies, or floor areas to be of a minimum size. This will increase housing supply by enabling more homes to be built at a cheaper price point and reduce the demand for inferior informal accommodation. Developers would still be able to size dwellings and choose to provide balconies as they see fit, provided they comply with national building standards.

Compliance and enforcement

- 81 It is critical that central government and markets have confidence in the development capacity being enabled by councils. In addition to being more prescriptive about how councils calculate demand and development capacity and bolstering intensification requirements, I propose a number of measures that will make it easier for central government to ensure councils are complying with development capacity requirements. I propose to:
- 81.1 Require councils to prepare a 'transitional HBA' before they are able to opt out or amend the application of the MDRS, demonstrating that they comply with the Housing Growth Targets and that there is no net loss in development capacity relative to current requirements, with HBAs continuing to be required three-yearly after this.
 - 81.2 Amend the NPS-UD to introduce a standing requirement for councils to provide HBAs, and relevant underpinning data and assumptions, to central government. This will ensure officials have the evidence required to assess compliance with Housing Growth Targets, and is more efficient than use of existing Ministerial powers to request information from councils every time further information is required.
 - 81.3 Amend the RMA to provide central government with a power to require councils to amend part or all of their HBA in the event of non-compliance with requirements. This will make it clearer whether councils are complying with Housing Growth Targets, and smooth the path for further compliance action where they are not.
 - 81.4 Amend the RMA to provide intervention powers in the event of non-compliance with Housing Growth Targets or urban national direction, including an ability to direct councils to use a specific plan change process. As above, this can provide a faster process than the standard process, and one that will provide oversight and approval of plan changes. I will undertake further work on the nature of the intervention powers

¹¹ 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.

related to housing national direction through GfHG and wider Resource Management reform work.

81.5 Ensure we are providing appropriate support to councils with implementation of these requirements, while also clearly signalling to councils that central government can and will make use of the full set of tools available to it under the RMA to ensure compliance.

82 Currently, monitoring of compliance with the NPS-UD and MDRS requirements is jointly undertaken by the Ministry for the Environment and the Ministry of Housing and Urban Development, with Ministerial intervention powers sitting with the Minister for the Environment. Current monitoring practice is ad-hoc depending on resourcing availability and other departmental priorities, and use of Ministerial compliance powers has been limited, in part due to a lack of political appetite to use these powers.

83 I am considering the institutional settings regarding the oversight of council compliance with national direction on housing matters, and the use of intervention powers where there is non-compliance. s 9(2)(f)(iv)

[Redacted text block]

Implementation

84 The proposals set out above are collectively significant. It will be important to consider the cumulative impacts of these on councils, given that they will be required to make changes alongside changing Government policy direction across a range of portfolios (e.g. building and construction, transport, local government, RMA reform, and housing).

85 I propose that councils seeking to remove or alter the MDRS must give effect to the Housing Growth Targets, intensification changes, and direction on mixed-use through the same plan change they use to remove the MDRS. As per the proposal in paragraph 35, councils wishing to remove or alter the MDRS would need to use a variation of the Streamlined Planning Process.

86 For councils that choose to retain the MDRS, I propose to do further work to develop a sensible process and timeframe for implementation that takes into account other new or amended national direction under the RMA that councils will have to implement as part of our wider Resource Management Reform programme. I will take that decision, in consultation with relevant Ministers, as the Minister for Resource Management Reform through the phase 2 decisions on

- national direction. This will recognise the significant investment already made in district planning processes to implement the MDRS and NPS-UD intensification policies.
- 87 I intend to progress these changes via a combination of a Resource Management Amendment Bill ('RM Bill 2') and the national direction package currently being developed, with the aim of having legislation and national direction finalised by mid-2025.
- 88 A range of detailed decisions will be needed to give effect to the policy direction set out above. This includes:
- 88.1 Detailed design of Housing Growth Targets (such as the demand projections councils must use);
 - 88.2 Flow-on implications for other aspects of the NPS-UD (such as whether the NPS-UD's requirement to live-zone three years of business land should be amended to align with the proposed new approach to live-zoning for development capacity);
 - 88.3 Improvements to requirements related to FDSs and the responsiveness policy in the NPS-UD;
 - 88.4 Further technical and operational details on the process for making the MDRS optional;
 - 88.5 The proposed new intensification requirements (such as the criteria councils will need to use to identify strategic transport corridors);
 - 88.6 Mixed-use (such as the specific types and scale of activities councils must enable and what conditions they can impose on activities); and
 - 88.7 Other changes to urban national direction.
- 89 For the matters to be included in legislation, I propose that detailed decision-making consistent with the proposals in this paper, and authorisation to issue drafting instructions to the Parliamentary Counsel Office be delegated to the Minister of Housing and the Minister Responsible for RMA Reform. I will report back to Cabinet seeking approval for the introduction of legislation consistent with this policy direction in accordance with the process to be set out in the forthcoming paper on Resource Management Amendment Bill ('RM Bill 2').
- 90 For the matters to be included in national direction, I propose that detailed decision-making be delegated to the Minister of Housing and the Minister Responsible for RMA Reform. I will report back to Cabinet on matters of national direction in accordance with the process to be set out in the forthcoming paper on the national direction package.

Other impediments to using land for development

- 91 Stakeholders have raised a range of other regulations or policies which make it difficult to use land for housing. This includes slow processes to change plans under the RMA, policies and rules in National Policy Statements that sit under the RMA (for example those related to Freshwater, Highly Productive Land, and Indigenous Biodiversity), restrictive plans and policy statements under the RMA, and requirements under the Wildlife Act.
- 92 I will consider the relative priority of addressing these issues and the potential approaches to address them, including directing officials to undertake further work, considering the issues as part of Resource Management reform and changes to national direction under the Resource Management Act.
- 93 This is an opportunity to ensure greater alignment across policies, and that the cumulative impacts of GfHG changes, plus broader changes in related systems, are phased and manageable for local government to implement and users of the system to navigate.
- 94 The Minister Responsible for RMA Reform and the Minister of Agriculture are considering changes to the National Policy Statement – Highly Productive Land (NPS-HPL) to better enable urban development on highly productive land to support greenfield development opportunities, with the intention of progressing these changes via the national direction package. Officials will consider how any changes to the NPS-HPL might interact with the changes to the NPS-UD as part of the national direction process, including the use of price triggers.
- 95 I also understand that improving the performance and productivity of the conservation regulatory system is one of the Minister of Conservation’s priorities and that proposed operational improvements are likely to have benefits for Wildlife Act authorisations.

Improving infrastructure funding and financing

- 96 We cannot solve the housing crisis without building more houses, and we cannot build more houses without the appropriate infrastructure. Right now, councils are constrained in how they fund and finance infrastructure, which discourages growth.
- 97 We need to ensure that requirements to free up land for development are accompanied with the ability to service that land with infrastructure, and do not result in an unfair cost burden for the wider community.
- 98 This is particularly important for water services and transport infrastructure, which is critical for enabling new development. Under the current system, the approach that councils take to planning for urban growth can be driven by concerns that councils end up paying for the costs of growth infrastructure. Unpredictable funding settings make it difficult for developers to commit to funding solutions.

New Zealand's wider infrastructure deficit also creates challenges for funding transport and water projects where there are a mix of benefits across existing residents and for urban growth.

- 99 My long-term aim is that the ability to provide infrastructure is not a bottleneck on greenfield or brownfield development where it otherwise makes economic sense to build new houses. The key to achieving this is increasing the role of pricing for infrastructure that supports urban growth - infrastructure should earn sufficient lifetime revenue from service charges to recover its whole-of-life costs, to the maximum extent possible.
- 100 I intend to set consistent requirements that growth costs for infrastructure should be funded through rates and levies on new development, rather than being subsidised by councils or central government. This will apply regardless of which specific funding and financing tools are used for a project.
- 101 I plan to build out the funding and financing tools available to ensure there is a flexible range of tools that meet the challenges of different projects. This includes changes to council funding tools (such as development contributions and targeted rates) and improvements to the Infrastructure Funding and Financing Act. While challenging, there are also opportunities to closely align funding with increases in land value that result from infrastructure upgrades in some cases. The Ministry for Housing and Urban Development will develop a value capture framework, which will identify the potential scale of additional revenue through value capture, and whether value capture is best delivered through enhancements to existing tools or through the development of new tools.
- 102 On 27 May 2024, Cabinet endorsed a work programme for Improving Infrastructure Funding and Financing that includes the changes described above [CAB-24-MIN-0181 refers]. The work programme includes 13 workstreams. Three of these workstreams relate to improvements to infrastructure funding and financing tools as part of the GfHG work programme.¹²
- 103 Due to the complexity of this work, changes to infrastructure funding and financing will proceed on a slower timeframe than the work on freeing up land for development. I will bring decisions to Cabinet by the end of 2024 on infrastructure funding and financing changes that are focused on supporting urban growth.
- 104 In many instances, infrastructure projects that enable urban growth also deliver other benefits such as improving services for existing residents and renewing aged assets. For these projects, funding contributions from new developments also need to be combined with other funding sources for a project to proceed. Therefore, wider reforms to address New Zealand's infrastructure deficit will also play a critical role in supporting urban growth – particularly Local Water Done

¹² The three workstreams are: Value Capture Framework, Infrastructure Funding and Financing Act, and Infrastructure Funding Settings.

Well and work by the Ministry of Transport and NZTA on the future of land transport revenue (which includes tolling and time of use charging).

Creating incentives for councils and communities to support growth

- 105 To shift market expectations that there will be a strong, ongoing pipeline of development opportunities that can help to bring down the price of land and support housing affordability, the policy direction needs to be seen as credible and enduring. Critical to this is councils being supportive of the approach and not resisting change, working in partnership with central government and with developers, and not viewing the approach as exposing them to greater cost or risk.
- 106 At present councils and communities bear many of the costs of growth, such as increased congestion and costs of providing infrastructure to support growth, but often do not fully share the benefits of that growth. A range of work being progressed by government will help to address incentives for councils, including:
- 106.1 New rules for infrastructure funding, including better tools to recover the costs of growth, which will address major disincentives for Councils to enable growth.
 - 106.2 City and regional deals, which will provide a framework for central and local government to better work together.
 - 106.3 Improvements to spatial planning, which can make it easier for councils to plan for growth.
 - 106.4 I am progressing work on options to provide more direct financial incentives for councils and communities to support growth (such as through central government sharing more of the economic dividend from housing and urban growth via some form of transfer). This includes considering options such as sharing of a portion of Goods and Services Tax with councils, based on construction of new housing in a particular area.¹³ s 9(2)(f)(iv)

The Government may need to consider broader roles

Making it easier to build

- 107 These are necessary first steps to reduce barriers to growth. However more will be needed to address structural and cyclical issues to ensure the development and construction sectors can actually deliver new housing. The Minister for

¹³ The coalition agreement between the National Party and Act Party includes a commitment to introduce financial incentives for councils to enable more housing, including considering sharing a portion of GST collected on new residential builds with councils.

Building and Construction has a work programme underway that aims to liberalise the building regulatory system and make it easier to build affordable homes, including reducing the cost of building materials and streamlining the building consent system.

s 9(2)(f)(iv)

[Redacted content]

Reducing barriers to development on Māori land

109 I am also interested in what we can do to reduce the barriers to building on Māori land, including potential legislative options as well as incentivising the private sector to support innovative solutions to enabling housing on Māori land. The Associate Minister of Housing will bring a paper to Cabinet setting out his vision for Māori housing in the third quarter of 2024. Under my RMA Reform portfolio, I also intend to develop national direction on papakāinga with the Minister for Māori Development.

Climate adaptation and reducing risks from natural hazards

110 The GfHG plan also links with wider work on climate adaptation. It will be important to align with work on a climate adaptation framework being developed by the Minister of Climate Change. Natural hazards and climate change impacts place an important constraint on where growth can go. Councils will not be required to enable more housing in areas with significant risks from natural hazards. Under my RMA Reform portfolio, I also intend to progress national direction on natural hazards.

Cost-of-living Implications

111 The GfHG package aims to significantly reduce housing costs, which will reduce the cost of living.

Financial Implications

- 112 There are no immediate financial implications from the proposals in this paper. Future proposals to Cabinet will have financial implications.

Legislative Implications

- 113 As set out above, the decisions sought in this paper will be implemented via a combination of a Resource Management Amendment Bill ('RM Bill 2') and the national direction package currently being developed, with the aim of having legislation and national direction finalised by mid-2025.

Impact Analysis

Regulatory Impact Statement

- 114 Impact analysis requirements apply to the decisions sought in this paper. A Regulatory Impact Statement (RIS) is attached in relation to Housing Growth Targets, making the MDRS optional, intensification requirements, mixed-use development, compliance and intervention powers, and minimum floor area and balcony requirements.
- 115 The RIA Panel at the Ministry of Housing and Urban Development and the Ministry for the Environment has reviewed the regulatory impact statement for *Going for Housing Growth – Freeing up land for development and enabling well-functioning urban environments* and confirmed that it partially meets the requirements.
- 116 The executive summary notes the limitations and constraints on analysis. There was limited time both for the policy work and for the quality assessment. The coalition Government has committed to making the MDRS optional, which has limited the number of options considered in relation to that issue. Additional time and fewer constraints could have allowed the opportunity to identify alternative options and further develop the analysis.
- 117 There was limited consultation undertaken in the time available and no consultation with Māori/iwi who are disproportionately affected by poor housing. The executive summary notes that fuller consultation will occur to test and refine the proposals.

Climate Implications of Policy Assessment

- 118 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal. The direct emissions impacts of this proposal are unable to be accurately quantified and it is difficult to anticipate the reaction to this proposal. The CIPA team acknowledges that this proposal will have an indirect emissions impact for the transport and

land use sectors, because of brownfield versus greenfield housing development. Examples of these impacts include associated changes in private vehicle use, intensification around high-frequency bus routes, and associated promotion of public/active transit. To ensure better emissions reduction outcomes are achieved, it is important that this proposal is progressed alongside measures that support low emissions modes of transport.

Population Implications

- 119 The GfHG package will reduce housing costs and support well-functioning urban environments for all New Zealanders, including groups that currently face disproportionately poor housing outcomes, such as Māori, Pacific people, children and young people, and older people.

Implications for Māori and Treaty obligations

- 120 The GfHG work programme includes several Treaty of Waitangi impacts and considerations, including significantly increasing the supply of developable land for housing has the potential to increase housing supply, improving housing equity outcomes for Māori who predominantly experience poor housing outcomes.
- 121 Wai 2750 Kaupapa Inquiry into Housing Policy and Services notes Crown consultation with Māori regarding housing has historically been poor. Engagement will be undertaken with iwi as part of the engagement on Resource Management Amendment Bill ('RM Bill 2') and the national direction package.
- 122 Further, any policy changes that impact consenting processes will need to consider Treaty settlement redress and relationship commitments agreed between iwi and the Crown, to ensure the intent and effect of settlements are upheld.

Human Rights

- 123 There are no direct implications for the New Zealand Bill of Rights Act or the Human Rights Act from the decisions in this paper. New Zealand has recognised the right to adequate housing in the 1948 Universal Declaration of Human Rights, and the proposals in this paper, in the extent to which they will increase access to housing, can positively impact on achievement of this right.

Use of External Resources

- 124 A Housing Expert Advisory Group has been established to advise the Ministry of Housing and Urban Development on GfHG work. This group of six experts provided input for a number of the decisions sought in this paper, at three meetings. It is anticipated that this group will continue to provide expert advice as

further GfHG proposals are developed. The Group supports the general direction of the workstreams identified in this paper.

Consultation

- 125 The following departments were consulted: The Treasury, New Zealand Infrastructure Commission, the Ministry for the Environment, the Ministry of Business, Innovation and Employment, the Department of Internal Affairs, the Ministry of Transport, Te Puni Kōkiri, Land Information New Zealand, Ministry of Justice, the Department of Conservation, the Ministry of Culture and Heritage, Kāinga Ora – Homes and Communities, and the Ministry of Primary Industries. The Department of Prime Minister and Cabinet was informed.
- 126 Officials will undertake targeted consultation with local government, developers and other stakeholders on the policy options in this paper. Further engagement will be undertaken as part of work on the Resource Management Amendment Bill and national direction package.

Communications

- 127 I intend to announce these decisions in the coming weeks.

Proactive Release

- 128 I intend to proactively release this paper within 30 business days of decisions being confirmed by Cabinet, if not before.

Recommendations

The Minister of Housing recommends that the Committee:

- 1 **Note** that in December 2023, Cabinet agreed that the Minister of Housing begin a comprehensive programme of work to advance the Going for Housing Growth package [CAB-23-MIC-0498].
- 2 **Agree** that the objective of Going for Housing Growth is to: improve housing affordability and increase competition in urban land markets by significantly increasing the supply of developable land for housing, both inside and at the edge of our urban areas.
- 3 **Note** that Going for Housing Growth consists of three elements:
 - 3.1 Freeing up land for urban development and removing unnecessary planning barriers
 - 3.2 Improving infrastructure funding and financing to support urban growth
 - 3.3 Providing incentives for communities and councils to support growth.

- 4 **Note** that to create a credible and enduring policy shift that shapes market expectations and ensures councils are supportive and work towards our goals, the three elements need to work together as a package.
- 5 **Note** that this work will consider the cumulative impact of these changes on councils and communities in a way that ensures they are enduring.

Making the Medium Density Residential Standards optional for councils

- 6 **Agree** to amend the RMA to require all councils currently required to implement the MDRS to carry out a ratification vote to determine whether they plan to retain, alter, or remove the MDRS from their urban areas, and subsequently notify the Minister of Housing and the Minister for the Environment of their decision in writing;
- 7 **Agree** to amend the RMA so that if the outcome of a council's ratification vote is a decision to alter or remove the MDRS, the council must start work to progress a plan change proposing removing or altering the MDRS;
- 8 **Agree** that councils that have already implemented the MDRS and NPS-UD should not be able to remove the MDRS until they have implemented the Housing Growth Targets;
- 9 **Note** that, for the councils who have not yet implemented the MDRS and NPS-UD, the Minister Responsible for RMA Reform is making decisions regarding the process requirements for each council on a case-by-case basis, reflecting each council's differing circumstances, but informed by an overarching objective to get the intensification provisions of the NPS-UD in place as soon as possible;

Housing Growth Targets

- 10 **Agree** to set Housing Growth Targets for Tier 1 and 2 councils that replace or amend relevant current provisions of the National Policy Statement on Urban Development 2020;
- 11 **Agree** that, to meet Housing Growth Targets, councils must provide the greater of:
 - 11.1 Development capacity to provide for at least 30 years of housing demand at any one time; or
 - 11.2 The amount of development capacity that is or would be enabled under current requirements;
- 12 **Agree** that, to count towards Housing Growth Targets, development capacity must be 'live zoned' (enabled in an operative district or unitary plan) and assessed as being feasible to develop;

- 13 **Agree** that, to meet Housing Growth Targets, development capacity must be supported by:
- 13.1 to meet short-term demand, adequate existing development infrastructure;
 - 13.2 to meet medium-term demand, either the above applies, or adequate development infrastructure that is identified in a long-term plan or equivalent document, funded through a levy under the Infrastructure Funding and Financing Act 2020, subject to a development agreement, or subject to funding from central government;
 - 13.3 to meet long-term demand, either the above applies, or adequate development infrastructure that is identified in an Infrastructure Strategy;
- 14 **Note** that amendments to the RMA may be needed to better-facilitate the use of infrastructure triggers (conditions on live-zoned land to ensure that key infrastructure is built before development occurs) and, if so, these will be progressed through a Resource Management Amendment Bill ('RM Bill 2');
- 15 **Agree** to set prescriptive rules and guidance for how councils calculate matters such as demand and development capacity;
- 16 **Agree** to set new requirements that price indicators (such as urban fringe land price differentials) do not deteriorate (and ideally improve) over time;

Greenfield growth, effective spatial planning and greater responsiveness to market demand

- 17 **Direct officials** to explore options to improve Future Development Strategy requirements in the NPS-UD, to align with Going for Housing Growth objectives;
- 18 **Direct officials** to explore options to improve the responsiveness policy in the NPS-UD, such as whether to better support developers to undertake private plan changes and bring forward areas of growth;

Strengthening the intensification provisions of the NPS-UD

- 19 **Agree** to revert the NPS-UD to its original position of requiring Tier 1 councils to enable heights and densities commensurate with levels of demand and/or accessibility to businesses and services across all of their urban areas, except where subject to one of the more specific intensification requirements;
- 20 **Agree** to:
- 20.1 require councils to deregulate to enable intensification around strategic transport corridors, under which councils will be responsible for determining these corridors, subject to criteria set by central government;

- 20.2 simplify the definition of rapid transit, to address ambiguity in the current definition;
- 21 **Agree** to set minimum catchment sizes within which councils must enable intensification, with catchment sizes based on the level of service provided by the type of centre or node;
- 22 **Agree** to:
- 22.1 clarify that decision-makers must explicitly consider the process and evidentiary requirements in their decisions to use a qualifying matter to reduce density;
- 22.2 require that the loss of development capacity through use of an unlisted qualifying matter (including special character) is offset by a direct and corresponding increase in development capacity elsewhere;

Providing for mixed-use development

- 23 **Agree** to issue new national direction that requires:
- 23.1 Tier 1 and 2 councils to enable a baseline level of small-scale mixed-use across their urban areas (including outside of NPS-UD intensification areas);
- 23.2 Tier 1 councils to enable a specified set of small-to-mid-scale activities such as cafes and restaurants, retail, metro-style supermarkets and offices in areas subject to the NPS-UD's six storey (or greater) intensification requirements;

Balconies and minimum floor area requirements

- 24 **Agree** to remove the ability for councils to set minimum floor area requirements and minimum balcony requirements;

Compliance and enforcement

- 25 **Agree** to require councils to prepare a 'transitional HBA' before they are able to opt out or amend the application of the MDRS, demonstrating that they comply with the Housing Growth Targets and that there is no net loss in development capacity relative to current requirements, and every three years thereafter;
- 26 **Agree** to amend the NPS-UD to introduce a standing requirement for councils to provide HBAs, and relevant underpinning data and assumptions, to central government;

- 27 **Agree** to amend the RMA to provide central government with a power to require councils to amend part or all of their HBA, in the event of non-compliance with requirements;
- 28 **Agree** to amend the RMA to provide intervention powers in the event of non-compliance with Housing Growth Targets or urban national direction, including an ability to direct councils to use a specific plan change process;
- 29 **Note** that I intend to:
- 29.1 undertake further work on the nature of the intervention powers and institutional settings needed to ensure compliance with housing national direction and provide sufficient and credible enforcement over the long term in order to shape market expectations of future land prices, and
- 29.2 report back to Cabinet by the end of 2024 with any proposed changes;

Implementation

- 30 **Agree** councils wishing to remove or alter the MDRS will need to do so via a variation of the existing Streamlined Planning Process set out in the RMA;
- 31 **Agree** that councils removing or altering the MDRS will need to implement the Housing Growth Targets, intensification changes, and mixed-use provisions at the same time that they remove the MDRS;
- 32 **Note** that, for councils not seeking to remove or alter the MDRS, the Minister of Housing and Minister Responsible for RMA Reform is considering implementation timeframes and processes for Housing Growth Targets, intensification changes, and mixed-use provisions;
- 33 **Agree** to delegate detailed decision-making on the design of Housing Growth Targets, improvements to requirements related to Future Development Strategies and the responsiveness policy in the NPS-UD, the process for making the MDRS optional, intensification changes, mixed-use, other urban national direction, and associated compliance and enforcement matters to the Minister of Housing and the Minister Responsible for RMA Reform;
- 34 **Agree** to progress the changes set out above via a combination of a Resource Management Amendment Bill ('RM Bill 2') and the national direction package currently being developed;
- 35 **Authorise** the Minister of Housing and Minister Responsible for RMA Reform to issue drafting instructions to PCO to:
- 35.1 implement the recommendations in this paper and the delegated decisions in recommendation 33, and

- 35.2 make minor, technical, or consequential changes that arise during drafting to ensure workability.
- 36 **Note** that the drafting instructions will be integrated with broader amendments to the RMA, for which Cabinet is due to make decisions on 1 July 2024;
- 37 **Note** that officials will undertake targeted testing of the detailed design of the proposals in this Cabinet paper with councils, iwi, developers and other stakeholders ahead of legislation and national direction being introduced;

Further work

- 38 **Note** I will work with relevant Ministers to consider the relative priority of addressing a range of additional impediments to housing supply and the potential approaches to address them, including policies and rules in National and Regional Policy Statements under the RMA, slow or restrictive plan changes under the RMA, and requirements under the Wildlife Act;
- 39 **Note** that additional work is needed to remove barriers to the development of housing on Māori land and to support Māori housing growth, and that the Associate Minister of Housing will report to Cabinet on this in 2024;
- 40 **Note** that I will progress further work on:
- 40.1 infrastructure funding and financing to support urban growth, including work that Cabinet endorsed on 27 May 2024 as part of a work programme for Improving Infrastructure Funding and Financing [CAB-24-MIN-0181];
- 40.2 incentives for councils and communities to support growth, including considering financial incentives for councils to support housing growth to s 9(2)(f)(iv)

Communication and proactive release

- 41 **Note** I intend to announce these decisions in the coming weeks.
- 42 **Note** that I intend to proactively release this Cabinet paper within 30 days.

Hon Chris Bishop
Minister of Housing

Annex 1: List of Tier 1 and Tier 2 local authorities

Tier 1 urban environments

- Auckland (Auckland Council)
- Christchurch (Canterbury Regional Council, Christchurch City Council, Selwyn District Council and Waimakariri District Council)
- Wellington (Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kāpiti Coast District Council)
- Tauranga (Bay of Plenty Regional Council, Tauranga City Council and Western Bay of Plenty District Council)
- Hamilton (Waikato Regional Council, Hamilton City Council, Waikato District Council and Waipa District Council)

Tier 2 urban environments

- Whangārei (Northland Regional Council, Whangārei District Council)
- Rotorua (Bay of Plenty Regional Council and Rotorua District Council)
- New Plymouth (Taranaki Regional Council, New Plymouth District Council)
- Napier-Hastings (Hawke's Bay Regional Council, Napier City Council and Hastings District Council)
- Palmerston North (Manawatū-Whanganui Regional Council and Palmerston North City Council)
- Nelson Tasman (Nelson City Council, Tasman District Council)
- Queenstown (Otago Regional Council, Queenstown Lakes District Council)
- Dunedin (Otago Regional Council and Dunedin City Council)

Annex 2: Further information on development capacity requirements and level of change under these proposals

Overview of current development capacity requirements for councils

- 129 Policy 2 of the NPS-UD requires all tier 1, 2 and 3 councils to provide sufficient development capacity to meet demand across the short, medium and long term (as shown in Table 2).
- 130 Councils report on their provision of development capacity and forecast demand every three years in HBAs (optional for tier 3 councils). In order to be sufficient to meet expected demand for housing, the development capacity must be plan-enabled, infrastructure-ready, feasible and reasonably expected to be realised, with an additional competitiveness margin for tier 1 and 2 councils (explained further in Table 2 and Figure 2).

Figure 2: Distinction between different forms of capacity

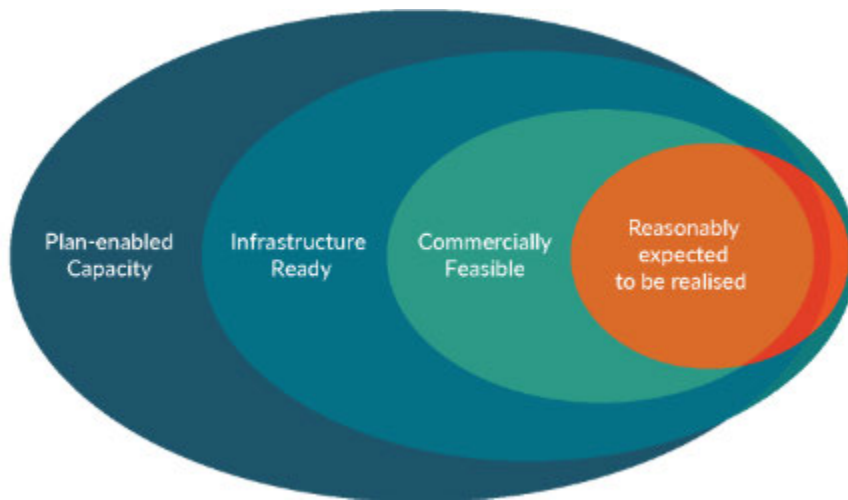


Table 2: Current NPS-UD development capacity definitions over various timeframes

Time horizon	Plan-enabled (what a district plan allows to be built)	Infrastructure-ready (currently or planned to be supported with sufficient enabling infrastructure)	Feasible (commercially viable for a developer to build at a profit)	Reasonably expected to be realised (expected to be built)	Competitiveness margin (extra capacity to support choice and competitiveness in housing and business land markets)
Short-term (0-3 years)	Development capacity is on land that is live-zoned (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)			Expected demand + 15%

131 In addition to these overall development capacity requirements:

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

131.1.1 In city centre zones: Building heights and density to realise as much development capacity as possible (Policy 3a);

131.1.2 In metropolitan centre zones (Policy 3b), and within a walkable catchment of city and metropolitan centre zones and existing and planned rapid transit stops (Policy 3c): Building heights of at least 6 storeys; and

131.1.3 Within and adjacent to neighbourhood, local, and town centre zones: Building heights and density commensurate with the level of commercial activity and community services (Policy 3d).

131.2 Policy 5 requires tier 2 and 3 councils to enable heights and densities 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.

131.3 The MDRS requires tier 1 councils (and Rotorua Lakes, at the council's request) to enable up to three dwellings of up to three storeys on most sites across their urban area as of right without a resource consent.

Potential impacts of proposed changes

- 132 It is difficult to estimate the Target that will apply to each council, and whether councils are currently enabling enough capacity to comply with these. This is due to a number of reasons, including that the details of the Housing Growth Targets are still being designed, changing population projections, and a lack of access to underlying council inputs and assumptions. The proposals in this paper will help to address this issue in the future.
- 133 However, based on current information from tier 1 councils shown in Table 3, the following indicative conclusions can be taken:
- 133.1 Auckland and Christchurch may already provide sufficient development capacity to comply with their Housing Growth Targets.
- 133.2 Hamilton, Waikato, Waipā, Western Bay of Plenty, Waimakariri, and Selwyn may not already provide sufficient development capacity to comply with their Housing Growth Targets.
- 133.3 It is unclear whether the remaining councils may or may not already provide sufficient development capacity to comply with Housing Growth Targets.
- 134 These conclusions are highly speculative, as they rely on information produced by councils under status-quo requirements.
- 135 In addition to these constraints, conclusions on the potential of Auckland to opt-out of the MDRS (and the scale of this) is further complicated by the council not fully implementing the NPS-UD and MDRS with compliant zoning in the 'Auckland Light Rail' corridor. Information on the capacity implementing the MDRS and NPS-UD in the corridor would be required to draw indicative conclusions.

136 No indicative conclusions for tier 2 councils can be drawn due to a lack of published information.

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Table 3: Overview of development capacity enabled under status quo

Note: the table below shows the impacts of the status quo and cannot be used to clearly inform potential impacts of the proposed changes. In essence, the Housing Growth Targets are intended to be more stringent than the 'short-term plan-enabled capacity' columns shown below, but less stringent than the 'short-term plan-enabled, infrastructure ready, feasible and reasonably expected to be realised capacity' columns (including because it is unviable to require councils to have 30 years of infrastructure capacity 'in the ground' upfront). Changes are also proposed to how demand is determined, and due to population projections changing over time, the demand figures in the table below are unlikely to be directly comparable to what a council's Target will be. Finally, due to issues with how some councils report capacity (e.g. in the long term only, or without an infrastructure ready assessment), firm conclusions cannot be drawn on whether some councils would meet their Housing Growth Targets.

Council	Most recent council assessment of 30 year demand	Short-term plan-enabled capacity		Short-term plan-enabled, infrastructure ready, feasible and reasonably expected to be realised capacity	
		Pre-NPS-UD/MDRS	Post-NPS-UD/MDRS	Pre-NPS-UD/MDRS	Post-NPS-UD/MDRS
Auckland	197,100 (2023)	909,179	2,615,580	Unclear	271,000
Hamilton	44,400 (2023)	130,600	242,500 ¹⁴	4,300	12,400
Tauranga	28,980 (2022)	63,060	189,500	3,225	Unclear
Wellington	30,407 ¹⁵ (2023)	104,941	299,364	26,399* ¹⁶	73,856*
Christchurch	32,103 (2023)	205,178	544,000	82,452 ¹⁷	94,000 ¹⁸
Waikato	13,900 (2023)	12,300	59,700	300	5,600
Waipā	9,400 (2023)	20,400	42,000	4,400	4,100
Western Bay of Plenty	7,710 (2022)	Unclear	Unclear	1,564	1,440
Rotorua Lakes	8,250 (2022)	23,700	129,500	1,700	N/A
Kāpiti Coast	11,899 (2023)	17,983	300,996	7,818*	32,673*
Upper Hutt	7,931 (2023)	19,313	241,689	11,361*	18,461*
Hutt	15,421 (2023)	120,518	271,001	16,815*	28,236*
Porirua	11,940 (2023)	150,154	224,767	16,511*	22,589*
Waimakariri	11,308 (2023)	2,273	79,345	2,273 ¹⁹	5,950
Selwyn	23,414 (2023)	11,234	108,024	14,154 ²⁰	11,550

¹⁴ Post NPS-UD and MDRS numbers for Hamilton, Waikato and Waipā use medium term numbers as these show the impacts of their plan changes.

¹⁵ Wellington, Upper Hutt, Waikato, Waipā, and Hamilton's demand projections include an extra competitiveness margin that is not included in other councils' figures.

¹⁶ 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.

¹⁷ We have low confidence in this figure, as the council reports the same number for the short, medium, and long terms.

¹⁸ As above.

¹⁹ We have low confidence in this figure as it is the same as the council's reported plan-enabled capacity.

²⁰ We have low confidence in this figure as it is larger than what the council reports for its plan-enabled capacity.

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