



## Aide-memoire

### Talking Points - Cabinet oral item 27 September and Cabinet Legislative Committee 30 September: Bringing forward and strengthening the National Policy Statement on Urban Development

<b>Date:</b>	24 September 2021	<b>Security level:</b>	In Confidence
<b>Priority:</b>	High	<b>Report number:</b>	HUD - AMI21/22090659 MfE - BRF-705

#### Information for Minister(s)

Hon Dr Megan Woods <b>Minister of Housing</b>	Note these talking points to support your discussion at Cabinet on 27 September 2021
Hon David Parker <b>Minister for the Environment</b>	Note these talking points to support your discussion at Cabinet on 27 September 2021

#### Contact for discussion

Name	Position	Telephone	1 <sup>st</sup> contact
Lesley Baddon	Director, Ministry for the Environment	021 738 357	
Rebecca Lloyd	Manager, Ministry for the Environment	022 013 6139	✓
Brad Ward	Deputy Chief Executive, Ministry of Housing and Urban Development	s 9(2)(a)	
Jessica Ranger	Manager, Ministry of Housing and Urban Development	s 9(2)(a)	✓

#### Other agencies consulted

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#### Minister's office to complete

- Noted
- Seen
- See Minister's notes
- Needs change
- Overtaken by events
- Declined
- Referred to (specify)

Date returned to HUD:

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#### Comments

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**For:** Hon Dr Megan Woods, Minister of Housing  
Hon David Parker, Minister for the Environment

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#### Purpose

1. This aide-memoire provides talking points to support you to give an oral update at Cabinet on 27 September on progress with policy work to bring forward and strengthen the National Policy Statement on Urban Development 2020 (NPS-UD). These talking points can also be used to support discussion on introducing the Bill at Cabinet Legislation Committee (LEG) on 30 September.

#### Background

2. On May 31, 2021, Cabinet agreed [CAB-21-MIN-0188 refers] to amend the Resource Management Act 1991 (RMA) and the NPS-UD to:
  - a. create a streamlined planning process for intensification that enables the intensification outcomes from the NPS-UD to be achieved at least a year earlier than under current processes
  - b. require councils to implement medium density residential standards as a default setting within our major urban areas.
3. Your offices lodged the paper *Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill: Approval for Introduction* for consideration at Cabinet Legislation Committee (LEG) on Thursday 30 September and Cabinet on 4 October. The Minister of Housing is unable to attend LEG.
4. These talking points cover off Cabinet decisions to date, decisions you have made since Cabinet, suggested timeframes for the Bill, and infrastructure provision. The talking points on infrastructure respond to feedback from the Department of Internal Affairs on the LEG paper, should the Minister of Local Government raise concerns at Cabinet.

#### Annexes

*Talking Points for Cabinet oral item 27 September 2021 and LEG Committee 30 September 2021*

## **Annex A: Talking Points for Cabinet oral item 27 September 2021 and LEG Committee 30 September 2021**

### *Cabinet decisions to date and key messages*

- Cabinet has agreed several measures to address housing supply and affordability this year. Our Government has communicated its intention to make a series of housing announcements throughout 2021. As work on the resource management reform will not have an impact for a few years, we need to make changes to Resource Management Act (RMA) in the interim.
- In May, we agreed as Cabinet to two proposals designed to bring forward and strengthen the National Policy Statement on Urban Development (NPS-UD). These proposals will:
  - introduce a new planning process, called the Intensification Streamlined Planning Process, which will enable councils to have intensification policies and rules in their plans quicker
  - require a set of medium density residential standards as a default minimum in our biggest cities.
- A draft Bill that gives effect to these decisions will be considered at Cabinet Legislation Committee on Thursday 30 September.
- These measures will apply to 'tier 1 urban areas' – Auckland, Hamilton, Tauranga, Wellington and Christchurch. The Bill also enables the Minister for the Environment to recommend an Order in Council is made to apply these measures to tier 2 urban areas<sup>1</sup> where there is evidence of acute housing need.
- By taking further action, we expect councils to have intensification policies and rules in place from August 2023, at least a year earlier than under current timeframes.
- To enable more homes to be built quicker, the medium density residential standards will have immediate legal effect as soon as they are publicly notified by councils in August 2022.

### *Benefits of the policies*

- Enabling greater intensification in existing areas will contribute to a range of benefits, including providing wider variety of housing options and better access to jobs and transport, and enabling more productive and efficient cities.
- These actions support the Government's wider objectives for housing and resource management reform, and our urban development and climate change goals.

### *Likely impact of the MDRS*

- Introducing the medium density residential standards in our five largest urban areas will give people more affordable housing choices.

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<sup>1</sup> Tier 2 authorities are Whangārei, Rotorua, Napier, Hastings, New Plymouth, Palmerston North, Nelson, Tasman, Dunedin, Queenstown.

- Modelling suggests this will enable approximately 48,000 to 105,000 dwellings over the next 5-8 years, above what we expect because of councils implementing the NPS-UD's intensification policies. A breakdown of this modelling per urban area is as follows:

Urban area	Estimated additional dwellings (5-8 years)
Auckland	27,927 to 53,683
Hamilton	3,389 to 12,191
Tauranga	3,819 to 8,462
Wellington	6,516 to 14,002
Christchurch	6,535 to 17,165

- Although the building and construction industry faces some short-term constraints, we can expect a strong supply response as a result of these changes. This is because the types of buildings the MDRS enables – three storey townhouses and apartments – are similar in complexity to those produced by the bulk of the industry.
- Builders and developers are well-positioned to shift from building one and two storey single-dwelling buildings to three-storey walk-ups, and there will be strong incentives for them to do so.
- We are already seeing this shift in Auckland since the Auckland Unitary Plan came into effect and these changes will enable similar outcomes in other parts of the country, as well as more widely across Auckland.
- This Bill will require some additional work from councils. However, in sum these changes will reduce the work required by councils to implement the NPS-UD. This is because the changes simplify some of the assessment requirements and the public process will be faster and less litigious. We are also recommending a further change to ease implementation for councils – clarifying policy 3(d).

#### *Decisions made since Cabinet*

- At Cabinet Legislation Committee on Thursday, we will seek approval to introduce the Bill. No substantive policy changes have been made since Cabinet considered the policy proposals in May.
- We have, however, made minor and technical decisions in line with the proposals agreed to by Cabinet and our delegated authority.
- We will also seek approval to some minor and technical changes to the NPS-UD and the RMA to support these proposals. This includes:
  - clarifying that councils can charge financial contributions for activities that do not require resource consents (permitted activities)
  - clarifying policy 3(d) of the NPS-UD to reduce current workloads for councils.
- Policy 3(d) currently requires councils to conduct complex demand and accessibility assessments, compare the results of these, and then intensify commensurately. This is unnecessary now that we are putting the MDRS in place and making this change will make the package much easier to implement for councils.

#### *Suggested timeframes*

- Councils have work programmes underway to implement the NPS-UD but will need to make changes to these once this Bill is passed.
- It would therefore be beneficial for the Bill to be passed by the end of 2021 to give councils the most certainty and time to implement the proposals. This approach will reduce the risk that councils' plans will not be notified before councillors rise ahead of local government elections on 8 October 2022.

### Infrastructure impacts

- We expect impacts on councils' ability to fund the infrastructure required for growth will be manageable in the short term.
- Councils will be able to charge for infrastructure costs caused by growth via development contributions, although some existing policies may need to be updated. Some councils are in the process of doing this. For example, Auckland Council is progressively updating its policies across the city, with consultation underway on development contributions for Drury.
- The Bill also enables councils to include provisions in their plans to allow financial contributions to be charged for permitted activities.
- Additionally, we are investing significant funding in infrastructure to support housing, including through the \$3.8 billion Housing Acceleration Fund and \$460 million for housing and urban development shovel ready projects.
- The Infrastructure Funding and Financing Act 2020 also provides opportunities for councils to finance important infrastructure projects, without impacting their balance sheets. Several projects are being actively explored.
- s 9(2)(f)(iv)
- We recognise that council resourcing and capacity is under pressure due to their participation in several reform programmes and consultation processes, while supporting their communities to respond to COVID-19. Councils are also implementing national direction on crucial government objectives such as freshwater management. To support councils to implement the policies in this Bill, Cabinet has agreed to \$1.25 million in funding, and officials from MfE and HUD will work closely with councils to support them.
- We expect the Bill will reduce workloads for some councils in the long term, and position local government well for future change.