

In Confidence

Office of the Minister of Housing

Office of the Minister for the Environment

Chair, Cabinet Business Committee

Bringing forward and strengthening the National Policy Statement on Urban Development

Proposal

1. This paper seeks Cabinet's agreement to bring forward and strengthen the National Policy Statement on Urban Development 2020 (NPS-UD) so that housing intensification occurs more rapidly in our urban areas. It seeks approval to create a streamlined planning process for intensification that:
 - 1.1. enables the intensification outcomes from the NPS-UD to be achieved earlier
 - 1.2. opens up more development capacity by requiring councils to implement a medium density residential zone as a default residential zone within major urban areas. In essence this enables more three storey housing instead of the current two.

Relation to government priorities

2. "Laying the Foundations for the Future" is one of the Government's three overarching priorities. Within this priority, the Government is committed to addressing some of the country's long-standing difficult issues this term, including housing affordability.

Executive Summary

3. The Government needs to accelerate the intensification of housing in New Zealand's urban areas. Current council plans do not allow or encourage increased housing density to the extent necessary to respond to current housing demand. Overly restrictive land use regulations that restrict height and density deny people housing choice. Along with infrastructure funding and financing, such regulations are one of the main drivers of New Zealand's housing shortage.
4. Land prices have consequently risen, housing has become unaffordable, transport emissions have increased, and land banking and speculation has been incentivised; and some people have been left with poor access to employment, education, and social services.
5. The NPS-UD was gazetted in August 2020 and addresses restrictive land use regulations. It is a powerful tool for improving housing supply in our highest growth areas. It requires, among other things, that urban councils¹ amend their Resource

¹ Refers to Tier 1, 2 and 3 local authorities as defined in the NPS-UD.

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Management Act 1991 (RMA) plans to enable intensification in urban areas where people want to live and work.

6. However, it will take until at least August 2024 for all of NPS-UD's policies to be fully implemented. Given the housing crisis, we want the intensification envisioned under the NPS-UD to occur faster.
7. Since it became operative (i.e. took effect) in 2016, the Auckland Unitary Plan (AUP) and particularly its Mixed Housing Urban zone, has had a positive impact in delivering more housing in parts of Auckland. This includes a wider variety of housing options at a range of price points, specifically townhouses, flats and other smaller dwellings. We want to enable similar outcomes in other parts of the country.
8. We intend to bring forward and strengthen the NPS-UD by using the existing RMA streamlined planning process (SPP) with appropriate modifications. The modified process will be called the Intensification Streamlined Planning Process (ISPP) and will:
 - 8.1. enable urban councils to implement the intensification policies required under the NPS-UD earlier than they would under standard RMA processes
 - 8.2. introduce a medium density residential zone (MDRZ) and remove current, restrictive planning rules more broadly throughout main urban areas.
9. Most residential zones across New Zealand currently enable two storey buildings, while provisions controlling the number of permitted dwellings per site vary greatly across council RMA plans. The MDRZ will enable medium density housing to be built (i.e. three dwellings of up to three storeys per site) across much more of our urban areas (including in new greenfield developments), but not require it.
10. The MDRZ is informed by existing medium density residential zones such as the AUP's Mixed Housing Urban Zone. The MDRZ will require changes in council RMA plans, which we intend will take effect as soon as they are notified (i.e. publicly advertised).
11. Some exemptions to the MDRZ's application would ensure that matters of national importance (such as heritage or significant natural areas) continue to be protected, as they are under the NPS-UD, along with Treaty settlement obligations being upheld.
12. Under the proposed timelines in this paper, the MDRZ will open up new development capacity from August 2022, with the NPS-UD intensification policies fully implemented by mid-2023. As well as providing more housing and greater housing choice, these changes will reduce emissions from transport and minimise sprawl onto highly productive land.
13. The changes will require amendment of the RMA through a Resource Management (Rezoning for Housing Supply) Amendment Bill (the Bill).

Background / rationale

14. This paper forms part of the Government's housing policy measures, is consistent with our policy objectives for the housing market [CAB-21-MIN-0018 refers], and builds on reforms already underway.

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15. According to the OECD's "Building for a Better Tomorrow" report,² New Zealand now has the least affordable housing market for the lowest income families, with one of the most expensive housing markets relative to income in the OECD.
16. The Government has made substantial progress in addressing the structural issues hindering urban development, including the reform of the resource management system. The main Government housing initiatives are listed in Annex 1.
17. Implementation of the AUP and its mixed housing urban zone has resulted in more homes being built in parts of Auckland. There has been a significant increase in the proportion of multi-unit dwellings consented (e.g. apartments, flats, townhouses, units), compared to standalone dwellings (refer to Annex 2 for further details).
18. This demonstrates that social norms are changing in Auckland with a growing acceptance of density, where residents trade off bigger homes and sections for greater access to jobs and the benefits of inner-city life. We are keen to expand these outcomes elsewhere in Auckland and to other parts of the country.

The NPS-UD will improve how our cities respond to growth and will enable improved housing affordability and community wellbeing...

19. The NPS-UD, a national policy statement made under the RMA, removes overly restrictive barriers to development so our cities can grow upwards and outwards, and better respond to the needs of their communities. Councils must amend their RMA plans to give effect to it.
20. Major policies in the NPS-UD include:
 - 20.1. intensification – council plans need to enable greater height and density in areas of high demand and access
 - 20.2. car parking – RMA plans are not able to require the provision of car parking
 - 20.3. responsiveness – councils must consider private plan changes where they would add significantly to development capacity, enable good outcomes, and are well connected to transport corridors.
21. The intensification policies (Policies 3 and 4 of the NPS-UD) are designed to enable more opportunities to build housing close to centres where people want to live and are well-served by public transport, and in other areas with high demand for housing and business space.
22. These policies require Tier 1 councils³ to enable as much development capacity as possible in their inner-city centres. They must also enable high density development of at least six storeys in their wider metropolitan centres and within walkable distance of rapid transport stops, and at the edge of their city and metropolitan centres. In

² OECD (2021), "Building for a better tomorrow: Policies to make housing more affordable", Employment, Labour and Social Affairs Policy Briefs, OECD, Paris, Page 11.

³ **Tier 1 Councils: Auckland:** Auckland Council, **Hamilton:** Waikato Regional Council, Hamilton City Council, Waikato District Council, Waipā District Council, **Tauranga:** Bay of Plenty Regional Council, Tauranga City Council, Western Bay of Plenty District Council, **Wellington:** Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kāpiti Coast District Council, **Christchurch:** Canterbury Regional Council, Christchurch City Council, Selwyn District Council, Waimakariri District Council.

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addition, council RMA plans must also enable building heights and density commensurate with demand in all other locations.

...but the need to unlock land is urgent

23. Current council plans do not allow or encourage increased housing density to the extent necessary to respond to current housing demand. Also, under current timeframes, the NPS-UD intensification plan changes will not be operative until around August 2024 or later, depending on appeals. Given the urgency of the housing crisis, the Government needs to accelerate the intensification of housing in New Zealand's largest cities.
24. The NPS-UD focuses on increasing density in centres and key places where infrastructure already exists, but does not remove some of the barriers that prevent smaller scale developments such as townhouses being built in other city areas. One of the main barriers are plan rules regulating dwellings per site, building height and height to boundary ratios. The medium density residential zone (MDRZ) will provide flexibility to allow denser housing throughout major urban areas.

Analysis

25. This paper proposes changes to the RMA to:
 - 25.1. speed up implementation of the NPS-UD intensification policies
 - 25.2. introduce a MDRZ in Tier 1 residential areas by August 2022.
26. This paper also seeks agreement to the MDRZ having immediate effect from when council plan changes are notified to the public (by August 2022), helping to speed up capacity for new housing. There may need to be consequential changes to the NPS-UD to reflect these changes, without going through the usual process to amend a national policy statement (i.e. they would be done through the Bill).
27. Together, these proposals will see the higher density development enabled by the NPS-UD brought forward by at least a year (from 2024 to 2023), and additional medium density intensification unlocked by the MDRZ from August 2022.

Bringing forward the NPS-UD outcomes

28. Under the RMA, councils are currently required to use either the standard Schedule 1 plan change process or apply to the Minister for the Environment to use and complete a streamlined planning process (SPP)⁴ before changes become operative.
29. The standard Schedule 1 process can take at least two years, and longer if a plan change is appealed, which is common and could be anticipated for this type of plan change. This would delay the impact of these policies and the housing supply they will enable. On average, an SPP takes 18 months to complete.
30. We therefore propose that Tier 1 councils be required to use a modified SPP process called an Intensification Streamline Planning Process (ISPP) to implement the NPS-UD intensification policies. This will:

⁴ The SPP was a new optional plan making process added to the RMA by the Resource Legislation Amendment Act 2017. A key feature of that process is that the Minister directs what steps must be followed and appeals are limited in scope. Judicial review continues to apply.

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- 30.1. enable urban councils to implement the intensification policies required under the NPS-UD earlier than they would under standard RMA processes
- 30.2. introduce a MDRZ and remove current, restrictive planning rules more broadly throughout Tier 1 urban areas.
31. The ISPP has been modified from the existing SPP in four ways. It will:
 - 31.1. require the use of the ISPP for all NPS-UD related intensification plan changes
 - 31.2. include a set of standardised process steps that all councils will use
 - 31.3. require the use of an independent hearings panel
 - 31.4. have the relevant council as the final decision maker, if they agree with the recommendations of the independent hearings panel. The Minister for the Environment will be the decision-maker on any issues of disagreement between the independent hearings panel and the council.

Impact and considerations of the ISPP

32. We expect the main impact of this ISPP initiative will be to enable the benefits of intensification anticipated by the NPS-UD to be realised at least a year earlier than they would otherwise.
33. The requirement to use the ISPP for NPS-UD intensification plan changes is unlikely to require additional resourcing from councils as these are already required under the NPS-UD, but it may redistribute the timing of these costs (however, refer to paragraph 49 for MDRZ related council costs). Longer term, this initiative will reduce costs as councils will no longer need to run a full Schedule 1 process or respond to appeals. They will also not need to complete an application process to the Minister for the Environment to use the SPP.
34. The key risks around requiring the use of the ISPP are that appeal rights are removed (but not judicial review), as with the current SPP process under the RMA. The ISPP will be designed to ensure there are opportunities for public participation. Officials will work with councils on the process steps and timeframes for the ISPP.
35. There may be localised opposition to new development, but this initiative seeks to normalise and share medium density outcomes across an urban environment. This should reduce local opposition to new development while balancing public participation and principles of natural justice.

Strengthening the NPS-UD outcomes: introducing a medium density residential zone

36. We propose to require Tier 1 councils to introduce an MDRZ to increase housing density more broadly across our biggest urban areas. Increasing the capacity for development in areas where demand is high will very likely prompt a supply response, allowing more homes to be built faster.

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37. We propose that the Minister for the Environment could, under delegation, initiate a requirement for a Tier 2⁵ urban environment to also introduce a MDRZ, via an Order in Council, if evidence demonstrates current land supply is constraining opportunities for housing development.
38. The MDRZ will have no minimum lot sizes, allow increased height allowances (i.e. from the standard two storeys to three storeys), and provide more lenient rules for other development standards.
39. The MDRZ will apply to all existing and future residential zones in urban areas unless existing zones are already more enabling. However, councils will have the ability to exempt some residential areas from the MDRZ if the “qualifying matters” set out in clause 3.32 of the NPS-UD apply (refer to Annex 3). These include matters such as nationally significant infrastructure, open space provided for public use, heritage, and being consistent with iwi participation legislation.
40. To implement this change, the RMA would need amendment to require Tier 1 councils to implement an MDRZ. The amendment would set out criteria requiring that a council RMA plan:
- 40.1. allow three storey and three units as of right per site,⁶ and
 - 40.2. enable:
 - 40.2.1. more flexible heights in relation to boundary and site coverage standards to enable three storeys on average sized sites
 - 40.2.2. smaller private outlook spaces (i.e. space between windows and other buildings) and private outdoor spaces (e.g. balconies)
 - 40.2.3. development closer to side boundaries⁷
 - 40.2.4. more planning consents (when they are needed) to proceed on a non-notified basis without neighbour approvals.
41. For the avoidance of doubt, while the MDRZ would *enable* three storey development and three units per site, it would not *require* it.
42. Councils would have some discretion on how the MDRZ requirements are incorporated into the relevant council RMA plans to ensure the changes are workable (e.g. by

⁵ **Tier 2 Councils: Whangārei:** Northland Regional Council, Whangarei District Council, **Rotorua:** Bay of Plenty Regional Council, Rotorua District Council, **New Plymouth:** Taranaki Regional Council, New Plymouth District Council, **Napier:** Hastings Hawke’s Bay Regional Council, Napier City Council, Hastings District Council, **Palmerston North:** Manawatū-Whanganui Regional Council, Palmerston North City Council, **Nelson Tasman:** Nelson City Council, Tasman District Council, **Queenstown:** Otago Regional Council, Queenstown Lakes District Council, **Dunedin:** Otago Regional Council, Dunedin City Council.

⁶ Currently many councils specify that only a single dwelling may be built on a site.

⁷ Many inner-city sites are 10 metres wide which means a 1 metre side boundary on both side boundaries eliminates 20 per cent of the site width that can be developed.

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modifying an existing zone, writing a new zone into an existing plan chapter, or inserting a new chapter into their plan).

Impacts and considerations of the MDRZ

43. A cost-benefit analysis by PwC undertaken on the intensification policies in the NPS-UD showed they would increase housing supply, lower rents and house prices. PwC estimated that the benefits of intensification alone would be approximately \$9 billion from now until 2043. The additional intensification enabled by MDRZs would likely have a similar effect. Some costs were expected, such as localised transport congestion, but these could be expected to be considerably outweighed by the benefits.
44. Increasing housing density in our cities will enable more people to live affordably in the areas closer to work, community facilities and services. This will allow a more efficient use of infrastructure, encourage increased use of active transport, and reduce dependence on cars. The housing types enabled by MDRZs are small scale, i.e. townhouses and other units, and could also include conversions of existing buildings.
45. There is likely to be a strong supply response in these areas, with lower quality stock being replaced with multi-unit dwellings. This type of intensification may also be less likely to run into industry capacity constraints than other forms of intensification such as tall apartment buildings in city centres, as the buildings it allows are more like those already produced by most of the building industry.
46. Other potential benefits of the MDRZ include a reduction in climate emissions, minimising sprawl onto highly productive land, the ability to provide multi-generational ways of living, and health benefits from living in new housing. The MDRZ will also help to mitigate the effect of land prices on housing costs because land will be used more efficiently.
47. The public will have a high level of interest in the MDRZ and there are likely to be a broad range of views. With the removal of current planning rules, some will have concerns about localised transport congestion, loss of sunlight and a perceived reduction in the aesthetics and desirability of a neighbourhood. Others will see benefits in removing barriers to multi-storey developments, particularly for those under-represented in the market such as first home buyers and renters.
48. It is appropriate for central government to undertake this reform as it is obliged to consider the effect of current restrictions on the housing market as a whole, on housing affordability, the interests of future generations and the many social and economic effects of the housing crisis.
49. Infrastructure impacts on councils from the MDRZ are set out below. Councils will face additional costs in resourcing the addition of MDRZs to their plans. We are seeking additional budget to support councils in this process.

Giving legal effect to MDRZ provisions from notification

50. We propose to ensure that the provisions of the MDRZ have immediate legal effect to enable development as soon as plan changes are notified. This would include provision for three storeys and three units as of right alongside more permissive height in relation to boundary and site coverage standards.
51. A change to the RMA is required to facilitate this and will also specify what rules in plans would be replaced. This means the only issues that could be tested in the plan

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change process are the application or not of the qualifying matters (refer to Annex 3) and any consequential changes made to a zone, but not anything specified in the MDRZ requirements.

52. Plans implementing the MDRZ would have an impact once notified (by August 2022), rather than taking at least a further 12 months. This will allow development proposals to reflect the new, more permissive, zoning to begin from that point.

Infrastructure impacts

53. The Government is investing significant amounts of money in the infrastructure required for new housing including through:
 - 53.1. the Government Policy Statement on Land Transport, which guides \$4.5 billion per year of investment in the land transport system, with a focus on Safety, Better Travel Options, Improving Freight Connections, and Climate Change. The New Zealand Upgrade Programme allocates \$6.8 billion of new transport investment in places like Auckland's southern growth corridor, the Bay of Plenty, and the Hutt Valley
 - 53.2. the funding of \$710 million in July 2020 to support the three waters reform programme, including investment in local government three waters infrastructure across New Zealand
 - 53.3. the funding of \$460 million for housing and urban development shovel ready projects – including \$240 million for Kāinga Ora – Homes and Communities (Kāinga Ora) and Te Tūāpapa Kura Kāinga – Ministry of Housing and Urban Development (HUD)
 - 53.4. supporting alternative funding and financing arrangements through the Infrastructure Funding and Financing Act 2020.
54. Infrastructure impacts on councils from the MDRZ are expected to be manageable in the short to medium term, as poorer housing stock is gradually replaced. These areas are often well serviced by infrastructure and councils have the ability to signal when infrastructure capacity needs to be increased. Owners seeking to develop property would be expected to contribute infrastructure upgrade costs required to enable the development. Councils will also be able to apply for funding from the \$3.8 billion Housing Acceleration Fund for new infrastructure required.

Financial Implications

55. There will be financial implications arising from the costs of supporting councils during the development of the MDRZ alongside the existing NPS-UD, and without the additional support there is a risk that the NPS-UD, will not be fully implemented.
56. The costs for the additional implementation support work are estimated at \$1.25 million, made up of support for council hearing processes and guidance.
57. The Minister for the Environment proposes to seek new funding for Vote Environment to implement the new zone into RMA council plans.

Legislative Implications

58. The proposed changes require amendment to the RMA. We are seeking Cabinet's authority to:
 - 58.1. instruct the Parliamentary Counsel Office to draft the Bill
 - 58.2. further clarify and develop policy matters relating to the proposals in this Cabinet paper in a manner not inconsistent with the policy recommendations contained in this paper, and develop commencement, transitional and any other provisions with Parliamentary Counsel Office, through the drafting process.
59. If Cabinet agrees to the proposals in this paper, we propose to issue drafting instructions to the Parliamentary Counsel Office in late May, and to subsequently lodge a Cabinet paper and amendment Bill with the Cabinet Legislation Committee.
60. The Bill has been included in the legislation programme as Category 2.

Impact Analysis

61. A joint Regulatory Impact Analysis Review Panel (Panel) with representatives from HUD, the Ministry for the Environment and the Treasury has reviewed the Regulatory Impact Statement (RIS) – refer to Appendix 1. The Panel considers that the information and analysis summarised in the RIS partially meets the quality assurance criteria necessary for Ministers to make decisions on the proposals in this paper because:
 - 61.1. there has been no public consultation on the proposals which means that the potential consequences identified in the RIS are not fully understood. The Panel wishes to particularly highlight the lack of consultation with local councils, which may pose implementation risks for the policy proposals in this paper, and a broader risk to the relationship between central and local government
 - 61.2. the RIS could also better support decision making through improvements to clarity of message, presentation of information, and greater use of quantitative evidence to support options assessment.

Climate Implications of Policy Assessment

62. 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 are unable to be accurately determined in quantitative terms.
63. These proposals are likely to support an overall reduction in emissions from transport by enabling increased density of urban development, particularly where this is enabled in or near centres or employment opportunities, and in areas well-served by public transport.
64. To ensure better emissions reduction outcomes are achieved, it is important that these proposals are progressed alongside measures that support effective public transport, and uptake of low emissions vehicles and active modes of transport. An OECD report on emissions in Auckland indicate that increasing density in Auckland could reduce emissions by an additional 10 per cent if implemented in combination with the promotion of public transport and electric vehicles.

Population Implications

65. This proposal will provide increased opportunity for people to live where they want to live.
66. As the proposal intends to increase housing choice in existing residential areas, this may enable older people to “age in place” in communities. The measures will also have positive impacts for disabled people if done in a way that considers their particular access needs.
67. Enabling more flexibility within current residential zones is likely to also have benefits for Māori and Pacific peoples by:
- 67.1. providing opportunities to build additional units on current residential properties to support extended family living
 - 67.2. providing opportunities to reduce overcrowding and improve health outcomes.
68. The proposal has the potential to provide many benefits for women. Living alone is more common among women than men as they age and this proposal may allow older women to remain in their communities longer by providing more affordable and appropriate housing for them. Single women living alone, including solo mothers, are typically on lower incomes and have less ability to secure sufficient funds for a deposit on a home loan or pay rents on standalone dwellings and those they can afford may be far from the amenities they need.
69. Overall, the proposal has the potential to provide the population with a larger variety of housing that suits their social, cultural, and wellbeing needs and keep them connected to their communities.

Te Tiriti o Waitangi obligations

70. s 9(2)(g)(i)
[Redacted text]
71. The engagement processes for the ISPP will support Māori participation and aspirations in two ways:
- 71.1. consultation with iwi authorities as councils prepare their new zone and maps, with this occurring before public notification; and
 - 71.2. the relationship of Māori and their culture and traditions with their ancestral lands, water, sites, wāhi tapu, and other taonga is recognised in section 6 of the RMA. Councils and independent panels will need to address this relationship when considering exemptions for the MDRZ. Consultation will include recognition of any relevant iwi participation legislation or Mana Whakahono a Rohe agreement, as is the case with the SPP.
72. Iwi/Māori will also have the opportunity to submit during the public consultation process.

Human Rights

73. There are no human rights implications in this proposal and there are no inconsistencies between the proposal and the Human Rights Act 1993.

Consultation

74. This paper has been prepared by the Ministry for the Environment and the Ministry of Housing and Urban Development.
75. The following have been consulted: Treasury, Ministry of Transport, Department of Internal Affairs, Ministry of Justice, Manatū Taonga Ministry for Culture and Heritage, Office for Seniors, Te Arawhiti, Te Puni Kōkiri, Ministry of Social Development, Office for Disability Issues, Kāinga Ora, Department of Conservation, Ministry of Education, Ministry of Health, Ministry of Business, Innovation and Employment, Ministry for Pacific Peoples, Land Information New Zealand and the Waka Kotahi New Zealand Transport Agency. The Department of Prime Minister and Cabinet was informed.
76. The proposals will be discussed with councils and iwi/Māori via small working groups to provide technical input.

Communications

77. A communications plan is being prepared to support an announcement. The plan will point to the success for housing outcomes of the AUP's Mixed Housing Urban Zone.

Proactive Release

78. We intend to release the Cabinet paper within 30 business days of legislative decisions being confirmed by Cabinet.

Recommendations

The Minister of Housing and the Minister for the Environment recommend that the Committee:

- 1 **note** that according to the OECD, New Zealand now has one of the most expensive housing markets relative to income in the OECD
- 2 **note** since the Auckland Unitary Plan and its Mixed Housing Urban Zone was adopted in 2016, the proportion of multi-unit dwellings consented (apartments, flats, townhouses, units) compared to standalone dwellings has increased
- 3 **note** the below proposals support the Government's objective to create a housing and urban land market that credibly responds to population growth and changing housing preferences, that is competitive and affordable for renters and homeowners, and is well-planned and well regulated
- 4 **note** the below proposals complement the \$3.8 billion Housing Acceleration Fund, the \$4.5 billion per year investment in the land transport system, and the \$710 million investment in the three waters reform

Bringing forward the NPS-UD outcomes

- 5 **note** that the National Policy Statement on Urban Development 2020 (NPS-UD) is a powerful tool for improving housing supply

I N C O N F I D E N C E

- 6 **note** the NPS-UD requires plan changes to enable intensification for Tier 1⁸ councils to be notified by August 2022
- 7 **agree** to amend the Resource Management Act 1991 (RMA) to provide for the existing streamlined planning process (SPP) to be modified to create an Intensification Streamlined Planning Process (ISPP), which Tier 1 councils will be required to use to implement Policies 3 and 4 (intensification requirements) of the NPS-UD
- 8 **agree** to delegate decisions on the process steps of the ISPP to the Minister of Housing and the Minister for the Environment
- 9 **note** that the ISPP will include:
- 9.1 early consultation with iwi/Māori
 - 9.2 public consultation
 - 9.3 an independent hearing panel to consider plan changes and public submissions
 - 9.4 a decision-making process that sets out:
 - 9.4.1 if the independent hearings panel and council agree, then the plan changes become operative
 - 9.4.2 an ability for the Minister for the Environment to make the final decision where there is disagreement between the independent hearing panel and the relevant council
- 10 **agree** that, similar to the existing SPP, there will be no right of appeal with the ISPP but that judicial review will be available

Strengthening the National Policy Statement on Urban Development 2020 outcomes: introducing a medium density residential zone

- 11 **agree** to amend the RMA and the NPS-UD to provide for the establishment of a default medium density residential zone (MDRZ) that must be incorporated into local authority RMA plans in Tier 1 urban environments (as defined in the NPS-UD)
- 12 **agree** to provide the Minister for the Environment with the power to apply the MDRZ in Tier 2⁹ urban areas via an Order in Council, subject to consideration of criteria to be outlined in legislation

⁸ **Tier 1 Councils:** **Auckland:** Auckland Council, **Hamilton:** Waikato Regional Council, Hamilton City Council, Waikato District Council, Waipā District Council, **Tauranga:** Bay of Plenty Regional Council, Tauranga City Council, Western Bay of Plenty District Council, **Wellington:** Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kāpiti Coast District Council, **Christchurch:** Canterbury Regional Council, Christchurch City Council, Selwyn District Council, Waimakariri District Council.

⁹ **Tier 2 Councils:** **Whangārei:** Northland Regional Council, Whangarei District Council, **Rotorua:** Bay of Plenty Regional Council, Rotorua District Council, **New Plymouth:** Taranaki Regional Council, New Plymouth District Council, **Napier:** Hastings Hawke's Bay Regional Council, Napier City Council, Hastings District Council, **Palmerston North:** Manawatū-Whanganui Regional Council, Palmerston

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- 13 **agree** that Tier 1 local authorities be required, at time of notification of intensification plan changes, to replace all relevant residential zone rules in their RMA plan with the MDRZ by amending their existing RMA plans
- 14 **agree** that the MDRZ:
- 14.1 allow three storeys and three units as of right per site; and
 - 14.2 enable:
 - 14.2.1 more flexible height in relation to boundary and site coverage standards to enable three storeys on average sized sites
 - 14.2.2 smaller private outlook spaces (i.e. space between windows and other buildings) and private outdoor spaces (e.g. balconies)
 - 14.2.3 development closer to side boundaries
 - 14.2.4 more resource consents (when they are needed) to proceed on a non-notified basis without neighbour approvals
- 15 **agree** to delegate detailed decisions on the content of the MDRZ to the Minister of Housing and the Minister for the Environment
- 16 **agree** that the requirements in recommendations 13 and 14 will apply to all existing and future residential zones unless the zones are already more enabling
- 17 **agree** that areas could be exempted from the MDRZ if they meet the qualifying matters¹⁰ set out in clause 3.32 of the NPS-UD, including Treaty settlement commitments

North City Council, **Nelson Tasman**: Nelson City Council, Tasman District Council, **Queenstown**: Otago Regional Council, Queenstown Lakes District Council, **Dunedin**: Otago Regional Council, Dunedin City Council.

¹⁰ **Extract from the NPS-UD – clause 3.32 Qualifying matters**

In this National Policy Statement, qualifying matter means any of the following:

- a. a matter of national importance that decision-makers are required to recognise and provide for under section 6 of the Act
- b. a matter required in order to give effect to any other National Policy Statement
- c. any matter required for the purpose of ensuring the safe or efficient operation of nationally significant infrastructure
- d. open space provided for public use, but only in relation to the land that is open space
- e. an area subject to a designation or heritage order, but only in relation to the land that is subject to the designation or heritage order
- f. a matter necessary to implement, or ensure consistency with, iwi participation legislation
- g. the requirement to provide sufficient business land suitable for low density uses to meet expected demand under this National Policy Statement

I N C O N F I D E N C E

MDRZ legal effect from time of plan change notification

- 18 **agree** to progress amendments to the RMA to provide that the MDRZ has immediate legal effect to enable development from notification of intensification plan changes

Consequential changes to the National Policy Statement on Urban Development 2020

- 19 **agree** to amend the RMA to empower the Minister of Housing and Minister for the Environment to make consequential changes to the NPS-UD, if necessary, to align with the intensification requirements of the MDRZ without using the usual process to amend national policy statements

Delegations for further decisions and instructing the Parliamentary Counsel Office

- 20 **agree** that the Minister of Housing and the Minister for the Environment can further clarify and develop policy and process matters relating to the proposals in this Cabinet paper in a manner not inconsistent with the policy recommendations contained in the paper
- 21 **invite** the Minister of Housing and the Minister for the Environment to develop commencement, transitional and any other provisions with the Parliamentary Counsel Office, through the drafting process
- 22 **invite** the Minister of Housing and the Minister for the Environment to approve the issuing of drafting instructions to the Parliamentary Counsel Office to give effect to the above recommendations

Financial recommendations

- 23 **note** that there will be financial implications arising from the costs of introducing a MDRZ across our five largest cities
- 24 **note** that the Minister for the Environment accordingly now seeks \$1.25m of new funding for Vote Environment
- 25 **note** that the funding is needed to implement the new MDRZ alongside the existing NPS-UD, which should work in tandem with one another, with the funding being used to support council hearings processes and to produce guidance material for councils
- 26 **note** that the funding is needed urgently so it can be in place for implementation expected to begin around September 2021
- 27 **note** that this is a new initiative that was not considered for Budget 2021 because it had not been contemplated by then
- 28 **note** that Vote Environment's baseline funding is already fully committed to high priority workstreams, including the resource management reform programme
- 29 **approve** the following changes to appropriations to give effect to the policy proposals in this paper, with a corresponding impact on the operating balance:

-
- h. any other matter that makes high density development as directed by Policy 3 inappropriate in an area, but only if the requirements of clause 3.33(3) are met.

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	\$m – increase/(decrease)			
Vote Environment Minister for the Environment	2021/22	2022/23	2023/24	2024/25 & outyears
Departmental Output Expenses				
Improving New Zealand's Environment	1.250	-	-	-
Total Operating	1.250	-	-	-

- 30 **agree** that the proposed changes to appropriations above be included in the 2021/22 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply
- 31 **agree** that the operating expenses incurred under recommendation 29 above be a charge against the between-Budget operating contingency, established as part of Budget 2021.

Authorised for lodgement

Hon Dr Megan Woods
Minister of Housing

Hon David Parker
Minister for the Environment

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Annex 1: Key housing policy decisions timeline

Item	Description	Date
Supporting urban development and better land use		
Urban Growth Agenda	<ul style="list-style-type: none"> Aims to remove barriers to the supply of land and infrastructure and to make room for cities to grow up and out. 	September 2018
Establishment of te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (HUD) – Homes and Communities	<ul style="list-style-type: none"> To lead New Zealand’s housing and urban development work programme. Responsible for strategy, policy, funding, monitoring and regulation of New Zealand’s housing and urban development system. 	October 2018
Land for Housing	<ul style="list-style-type: none"> Increased momentum in the Land for Housing Programme, including land acquisitions to support around 700 new houses, and by advancing the master planning for 26.5 hectares of land at Unitec, Mt Albert, where it will be possible to deliver between 2,500 and 4,000 homes in partnership with Ngā Mana Whenua o Tāmaki Makaurau. 	2018/2019
Establishment of Kāinga Ora – Homes and Communities	<ul style="list-style-type: none"> To enable a more cohesive, joined-up approach to delivering the Government’s priorities for housing and urban development in New Zealand. These priorities include addressing homelessness and making homes more affordable for New Zealanders. Kāinga Ora has two key roles: being a world-class public housing landlord and, partnering with the development community, Māori, local and central government, and others on urban development projects of all sizes. 	October 2019
Urban Development Act 2020	<ul style="list-style-type: none"> Allows Kāinga Ora to undertake complex housing development in urban areas. 	August 2020
Infrastructure Funding and Financing Act 2020	<ul style="list-style-type: none"> Establishes a new funding and financing model to enable private capital to support the provision of new infrastructure for housing and urban development. 	August 2020
National Policy Statement on Urban Development (NPS-UD)	<ul style="list-style-type: none"> Ensures New Zealand’s towns and cities are well-functioning urban environments that meet the changing needs of our diverse communities. It removes overly restrictive barriers to development to allow growth ‘up’ and ‘out’ in locations that have good access to existing services, public transport networks and infrastructure. 	August 2020

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<p>Resource Management Act reform</p>	<ul style="list-style-type: none"> The Resource Management Act 1991 (RMA) to be repealed and replaced with new laws. 	<p>February 2021</p>
<p>Supporting home ownership</p>		
<p>KiwiBuild Scheme</p>	<ul style="list-style-type: none"> Aims to deliver 100,000 quality, affordable homes for first home buyers over the next decade. 50,000 of these homes will be in Auckland; supports developments – from single residential development projects, through to integrating more affordable housing options into large-scale urban regeneration programmes. 	<p>June 2018</p>
<p>Overseas Investment Amendment Act 2018</p>	<ul style="list-style-type: none"> Bans most non-residents from buying existing houses. 	<p>August 2018</p>
<p>Progressive Home Ownership</p>	<ul style="list-style-type: none"> The Government's \$400 million Progressive Home Ownership Fund will help between 1,500 and 4,000 New Zealand whānau buy their own homes. Progressive home ownership enables these households and whānau to partner with a provider to help them become homeowners by addressing the deposit barrier and sharing the cost of home ownership. The PHO Fund has a specific aim to address housing affordability issues for three priority groups: Māori, Pacific peoples, and families with children. 	<p>July 2020</p>
<p>Direction under section 68B of the Reserve Bank Act 1989</p>	<ul style="list-style-type: none"> Reserve Bank of New Zealand now required to consider housing when making monetary and financial decisions. Reserve Bank of New Zealand will have to take into account the Government's objective to support more sustainable house prices, including by dampening investor demand for existing housing stock to help improve affordability for first-home buyers. 	<p>February 2021</p>
<p>Government Housing Package</p>	<ul style="list-style-type: none"> \$3.8 billion fund to accelerate housing supply in the short to medium-term. Government to support Kāinga Ora to borrow \$2 billion extra to scale up at pace land acquisition to boost housing supply. More New Zealander's able to access First Home Grants and Loans with increased income caps and higher house price caps in targeted areas. Bright-line test doubled to 10 years with an exemption to incentivise new builds. Ability to deduct interest removed for future investors and phased out on existing residential investments with an exemption for new builds. Apprenticeship Boost initiative extended to further support trades and trades training. 	<p>March 2021</p>

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Supporting outcomes for Māori Housing		
Te Maihi o te Whare Māori (MAIHI)	<ul style="list-style-type: none"> Te Maihi o te Whare Māori – MAIHI puts Māori at the heart of the Aotearoa New Zealand's housing narrative, acknowledges the history of Māori housing and responds to these needs through kaupapa Māori approaches. MAIHI sets a precedent for working in partnership with Māori and was developed with input from key partners across the Māori housing community. MAIHI requires that HUD will work collaboratively across government through a single door approach to increase housing supply that attends to whānau needs, prevents homelessness, and works to improve Māori housing security. 	(Date) 2020
Supporting renters		
Healthy Homes Guarantee Act 2017	<ul style="list-style-type: none"> Enables the Government to set standards for rental housing quality – covers heating, insulation, ventilation, draught stopping, drainage and moisture. 	November 2017
The Residential Tenancies Amendment Act 2020	<ul style="list-style-type: none"> The Residential Tenancies Act was amended to improve tenants' security and stability, while protecting landlords' interests. Ensure the law appropriately balances the rights and responsibilities of tenants and landlords and helps renters feel at home. It will also modernise the legislation so it can respond to the changing trends in the rental market. 	Most changes came into effect February 2021. The change limiting rent increases to once every 12 months came into effect in August 2020.
Public Housing		
The Public Housing Plan 2021-2024	<ul style="list-style-type: none"> The Public Housing Plan sets out the Government's public housing supply intentions for the next four years. Funding for an additional 6,000 public and 2,000 transitional houses. 	January 2021
Homelessness/supporting vulnerable people into housing		
Housing First	<ul style="list-style-type: none"> Housing First launched in Auckland with Government and Auckland Council funding in March 2017, and has expanded to Christchurch, Tauranga, Rotorua, Hamilton, Blenheim, Wellington, Napier and Hastings, Nelson and Whangārei. Budget 2019 provided \$197 million funding to strengthen the Housing First programmes in Whangārei, mid Far North, Auckland, Hamilton, Rotorua, Tauranga, Hawkes Bay, Wellington and Lower Hutt, Nelson, Blenheim, and Christchurch. 	March 2017/May 2019/March 2020

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	<ul style="list-style-type: none"> During the initial COVID-19 response, agencies worked with housing providers and Māori organisations to house over 1,000 individuals and whānau in motels. To meet increased demand, the number of places in Housing First were increased from 1,451 to 2,150. 	
Transitional Housing	<ul style="list-style-type: none"> Provides housing and support to vulnerable people and supports transition to more permanent housing. Budget 2019 provided \$283 million to fund and maintain over 2,800 Transitional Housing places. Between 1 November 2017 and 30 November 2020, the number of places available for tenanting has increased from 1,718 to 3,829 	May 2019
Aotearoa New Zealand Homelessness Action Plan (2020-2023)	<ul style="list-style-type: none"> Sets out a balanced and comprehensive package of actions to address homelessness with an increased focus on prevention, alongside supply, support and system enablers. Actions will build on and support work already underway around New Zealand and put in place changes to address gaps in responses to homelessness. 	February 2020
Rapid Rehousing	<ul style="list-style-type: none"> Rapid rehousing is an intervention to support individuals and whānau to quickly exit homelessness, return to permanent housing in the community and maintain their tenancies in order to avoid a return to homelessness. The homelessness action plan allocated \$13.5 million over two years to support 340 individuals and whānau experiencing homelessness into permanent housing. In the immediate COVID-19 response we worked with housing providers to increase the number of Rapid Rehousing places available from 170 to 549. 	February 2020
Sustaining Tenancies	<ul style="list-style-type: none"> Funds community-based providers to support individuals and whānau who need help to keep their tenancy and address issues putting their tenancy at risk. In response to the COVID-19 lockdown in March 2020, we increased Sustaining Tenancies places available in the 2020/21 year to 2150. 	February 2020

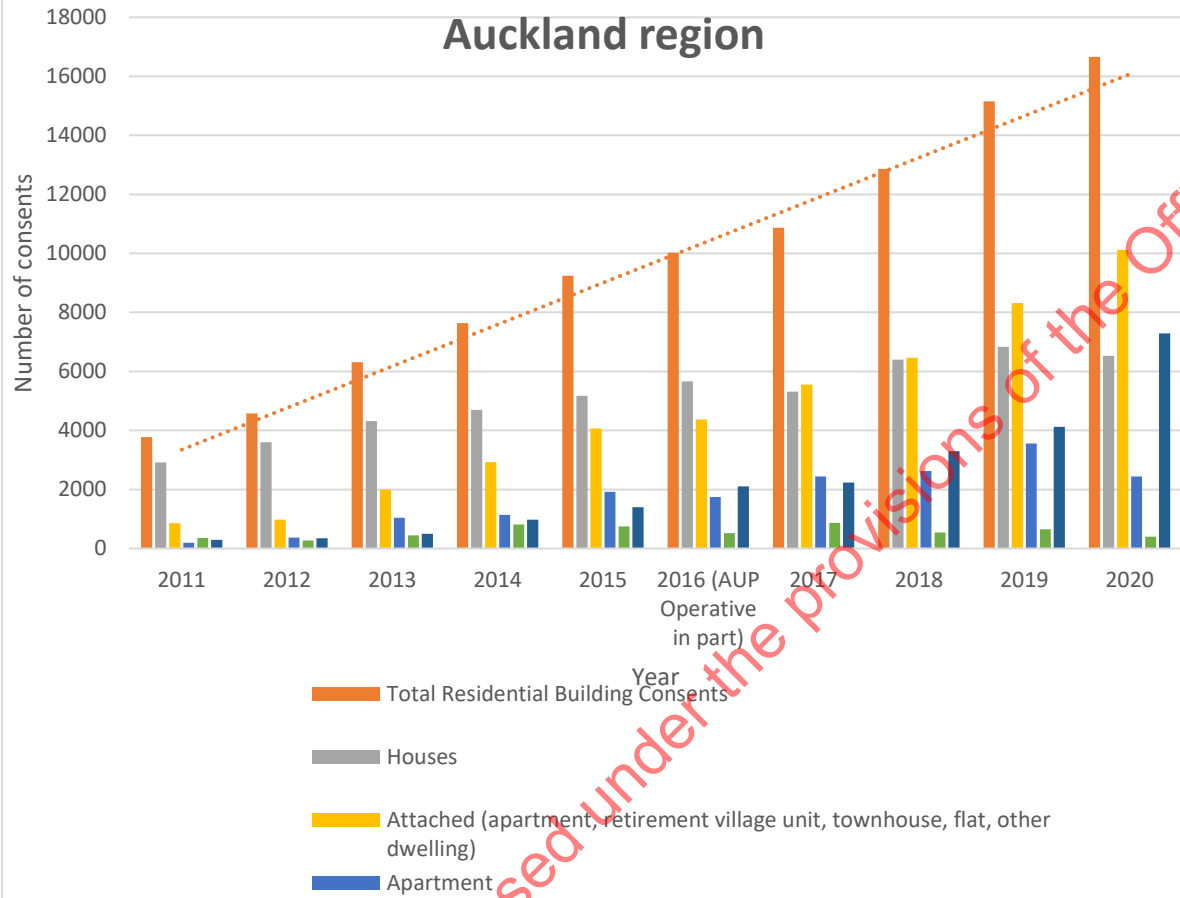
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Annex 2: Auckland Building consents by dwelling type from 2011 to 2020 (year ending December) for the Auckland region (Source: Statistics New Zealand)

Year	Total Residential Building Consents	Houses	Attached (apartment, retirement village unit, townhouse, flat, other dwelling)	Apartment	Retirement village unit	Townhouse, flat, unit and other dwellings
2011	3772	2918	854	197	360	297
2012	4582	3604	978	366	267	345
2013	6310	4318	1992	1046	443	503
2014	7632	4699	2933	1144	809	980
2015	9243	5177	4066	1919	748	1399
2016 (AUP Operative in part)	10026	5660	4366	1746	516	2104
2017	10867	5318	5549	2442	868	2239
2018	12862	6398	6464	2630	540	3294
2019	15154	6835	8319	3554	648	4117
2020	16656	6535	10121	2436	400	7285

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Building consents by dwelling type from 2011 to 2020 (year ending December) for the Auckland region



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Annex 3: Extracts from the National Policy Statement on Urban Development 2020

Tier 1 urban environments and local authorities

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

Tier 2 urban environments and local authorities

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

Policy 2: Tier 1, 2, and 3 local authorities, at all times, provide at least sufficient development capacity to meet expected demand for housing and for business land over the short term, medium term, and long term.

Policy 3: In relation to tier 1 urban environments, regional policy statements and district plans enable:

- a. in city centre zones, building heights and density of urban form to realise as much development capacity as possible, to maximise benefits of intensification; and
- b. in metropolitan centre zones, building heights and density of urban form to reflect demand for housing and business use in those locations, and in all cases building heights of at least 6 storeys; and
- c. building heights of least 6 storeys within at least a walkable catchment of the following:
 - (i) existing and planned rapid transit stops

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- (ii) the edge of city centre zones
 - (iii) the edge of metropolitan centre zones; and
- d. in all other locations in the tier 1 urban environment, building heights and density of urban form commensurate with the greater of:
- (i) the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services; or
 - (ii) relative demand for housing and business use in that location.

Policy 4: Regional policy statements and district plans applying to tier 1 urban environments modify the relevant building height or density requirements under Policy 3 only to the extent necessary (as specified in subpart 6) to accommodate a qualifying matter in that area.

Policy 5: Regional policy statements and district plans applying to tier 2 and 3 urban environments enable heights and density of urban form commensurate with the greater of:

- a. the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services; or
- b. relative demand for housing and business use in that location.

Subpart 6 – Intensification in tier 1 urban environments

3.31 Tier 1 territorial authorities implementing intensification policies

- 1 Every tier 1 territorial authority must identify, by location, the building heights and densities required by Policy 3.
- 2 If the territorial authority considers that it is necessary to modify the building height or densities in order to provide for a qualifying matter (as permitted under Policy 4), it must:
 - a. identify, by location, where the qualifying matter applies; and
 - b. specify the alternate building heights and densities proposed for those areas.
- 3 The territorial authority must make the information required by subclauses (1) and (2) publicly available at the same time as it notifies any plan change or proposed plan change to give effect to Policy 3.

3.32 Qualifying matters

- 1 In this National Policy Statement, qualifying matter means any of the following:
 - a. a matter of national importance that decision-makers are required to recognise and provide for under section 6 of the Act
 - b. a matter required in order to give effect to any other National Policy Statement
 - c. any matter required for the purpose of ensuring the safe or efficient operation of nationally significant infrastructure
 - d. open space provided for public use, but only in relation to the land that is open space
 - e. an area subject to a designation or heritage order, but only in relation to the land that is subject to the designation or heritage order
 - f. a matter necessary to implement, or ensure consistency with, iwi participation legislation

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- g. the requirement to provide sufficient business land suitable for low density uses to meet expected demand under this National Policy Statement
- h. any other matter that makes high density development as directed by Policy 3 inappropriate in an area, but only if the requirements of clause 3.33(3) are met.

3.33 Requirements if qualifying matter applies

- 1 This clause applies if a territorial authority is amending its district plan and intends to rely on Policy 4 to justify a modification to the direction in Policy 3 in relation to a specific area.
- 2 The evaluation report prepared under section 32 of the Act in relation to the proposed amendment must
 - a. demonstrate why the territorial authority considers that:
 - (i) the area is subject to a qualifying matter; and
 - (ii) the qualifying matter is incompatible with the level of development directed by Policy 3 for that area; and
 - b. assess the impact that limiting development capacity, building height or density (as relevant) will have on the provision of development capacity; and
 - c. assess the costs and broader impacts of imposing those limits.
- 3 A matter is not a qualifying matter under clause 3.32(1)(h) in relation to an area unless the evaluation report also:
 - a. identifies the specific characteristic that makes the level of development directed by Policy 3 inappropriate in the area, and justifies why that is inappropriate in light of the national significance of urban development and the objectives of this National Policy Statement; and
 - b. includes a site-specific analysis that:
 - (i) identifies the site to which the matter relates; and
 - (ii) evaluates the specific characteristics on a site-specific basis to determine the spatial extent where intensification needs to be compatible with the specific matter; and
 - (iii) evaluates an appropriate range of options to achieve the greatest heights and densities directed by Policy 3, while managing the specific characteristics.

3.34 Effects on consideration of resource consents

- 4 Nothing in Policies 3 or 4 or this subpart precludes the consideration (under section 104 of the Act) of any actual or potential effects on the environment associated with building heights.