



SmartGrowth Submission on the  
*Proposed National Policy Statement on  
Urban Development Capacity*

July 2016

**To:**

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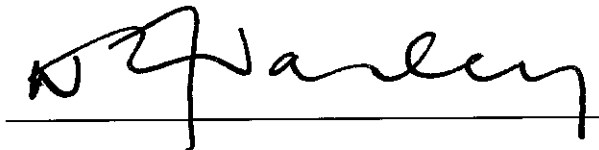
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**Submission:**

This is a submission by the SmartGrowth Implementation Committee on the Proposed National Policy Statement on Urban Development Capacity ("Proposed NPS"). The content of the submission follows overleaf. We appreciate the opportunity to provide comments on the document.

Other SmartGrowth partners will also be making submissions on the Proposed NPS. These will be more detailed in nature than the SmartGrowth submission which provides a higher level, overarching view of the Proposed NPS.

**Signed:**

A handwritten signature in black ink, appearing to read 'Bill Wasley', is written over a horizontal line.

Bill Wasley  
Independent Chair - SmartGrowth Implementation Committee

## 1. Introduction

This submission is presented on behalf of the SmartGrowth Implementation Committee (“SmartGrowth”), a joint committee of the Bay of Plenty Regional Council, Tauranga City Council, the Western Bay of Plenty District Council and Tangata Whenua. The Committee is responsible for overseeing the implementation of the SmartGrowth Strategy, a 50 year spatial plan for the western Bay of Plenty sub-region.<sup>1</sup>

SmartGrowth is a collaborative model for responding to growth management issues. It is a voluntary, cooperative arrangement built on understanding, agreement and a commitment to agreed outcomes. A key factor in the success of the SmartGrowth Strategy has been its long-term commitment to collaboration and implementation between agencies along with broad community support and effective central government engagement.

The SmartGrowth Implementation Committee is supportive of initiatives to improve urban development in a resource management context as this is an important part of implementing the SmartGrowth Strategy. While land supply is a key part of urban development, we are of the view that it is a multi-faceted endeavour and we strongly encourage the Government to continue to look at a wide toolkit.

Other SmartGrowth Strategy partners have also prepared submissions on the Proposed NPS and we support these.

SmartGrowth is happy to assist the Ministry for the Environment and the Ministry for Business, Innovation and Employment with any further work on the Proposed NPS, including how it is implemented.

## 2. Summary of Main Submission Points

SmartGrowth’s submission makes the following key points:

- General support for the Proposed NPS as it complements the SmartGrowth approach.
- We would like to see funding covered by the Proposed NPS or at least considered as part of implementing the NPS. We acknowledge the recently announced \$1 billion fund to accelerate

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<sup>1</sup> The western Bay of Plenty sub-region covers the territorial areas of the Western Bay of Plenty District Council and Tauranga City Council.

housing infrastructure - this is a good initiative. However, further detail on how this can be accessed is required as there will be significant pressure on this fund given the number of high growth areas. Clarity around how the debt will be repaid is also needed.

- The capital and operational expenditure of local authorities should not be significantly and unreasonably impacted on as a result of the NPS requirements to ensure a certain amount of housing and business supply.
- SmartGrowth is concerned that councils are often constrained by legislation in terms of their ability to take on additional debt. This is why there needs to be a more comprehensive approach to the issue of development capacity and ensuring there is enough housing and business land to meet demand
- The Proposed NPS states that urban development capacity is of national significance given the contribution that urban areas make to the social, economic and cultural well-being of people and communities. SmartGrowth is of the view that, given its national significance, there should be funding assistance or more funding tools provided to local government to ensure that urban development can be enabled in a timely manner.
- We have some concerns about the timeframes proposed for completing consistent assessments, developing targets and implementing these through regional policy statements and district plans.
- We would like to see existing work recognised and able to be relied on in undertaking assessments.
- There should also be greater recognition of existing growth strategies, spatial plans and agreed settlement patterns.
- We would like to see a wider toolkit being used which would also address issues such as land banking and the use of building covenants.

### **3. The SmartGrowth Strategy**

#### **3.1 Western Bay of Plenty Context**

The western Bay of Plenty sub-region encompasses both the Western Bay of Plenty District and Tauranga City. The sub-region is an area of rapid population growth. Currently the area contains 3.4% of the nation's population. The population is projected to be 275,000 by 2051. The sub-region looks set to become the fourth or fifth most populated region in New Zealand.

The SmartGrowth Strategy was originally adopted by the partner councils (Bay of Plenty Regional Council, Tauranga City Council, and the Western Bay of Plenty District Council) in 2004. The goal was to prepare an agreed strategy for the western Bay of Plenty sub-region to make provision for sustainable urban and rural development, specifically for the next 20 years and generally for the next 50 years. The SmartGrowth Strategy was comprehensively reviewed in 2013 and has evolved from purely a growth management strategy into the spatial plan for the western Bay of Plenty sub-region which recognises that planning for population growth is intricately linked to and influenced by the economy, the community, the environment and cultural factors.

SmartGrowth is an integrated and comprehensive long-term strategy which sets the blueprint for growth and development and provides a unified vision, direction and voice for the future of the western Bay of Plenty. SmartGrowth brings together in partnership, Tauranga City Council, Western Bay of Plenty District Council, Bay of Plenty Regional Council and tāngata whenua. The SmartGrowth Partnership is supported by the New Zealand Transport Agency, the SmartGrowth Partner Forums and other sectors, agencies and groups in the community.

### **3.2 Strategy Focus**

The SmartGrowth vision is that western Bay of Plenty is a great place to live, work, learn and play. Part of this vision is the implementation of an efficient and integrated planning process for growth management. SmartGrowth supports a fundamental shift in growth management from focusing largely on accommodating low-density suburban residential development to supporting a compact and balanced land-use pattern which emphasises the importance of a liveable urban environment and provides a wide range of lifestyle choices to enable people to live, work, learn and play within their communities.

A key feature of the SmartGrowth Strategy is its integrated planning approach. This advocates that land use planning should be contemporaneous with infrastructure provision and equitable funding. The aim of this approach is to reduce the potential costs of growth on communities now and in future as the sub-region grows.

The SmartGrowth Strategy reinforces the importance of familiar issues like the location of housing and employment and their impact on transportation networks and the need to protect versatile land resources that provide a strong base for the sub-region's economy.

The Strategy highlights the need to address areas that have not traditionally been part of growth management in the sub-region such as the provision of affordable housing.

## **4. The Proposed NPS**

### **4.1 General Comment**

SmartGrowth supports the Proposed NPS's focus on providing development-ready land for housing and business that keeps pace with demand. The SmartGrowth Strategy and its implementation already provide much of what the Proposed NPS is seeking. The Strategy and its supporting documents contain population and dwelling estimates, identified growth areas (greenfield, intensification and business), density targets and infrastructure / funding considerations. The Strategy and its implementation also seek to have 10 years of developable land supply at any given time. SmartGrowth takes a long term approach and identifies specific growth areas and land needs over a 30 year period and in a general sense over 50 years.

While SmartGrowth and its implementation through the regional policy statement and district plans, provides a responsive land use planning framework and works to ensure there is sufficient land resources to meet demand over at least the next ten years, future growth is dependent on adequate infrastructure financing and delivery. The Proposed NPS does not address infrastructure financing or delivery.

SmartGrowth is also concerned that Councils are often constrained by legislation in terms of their ability to take on additional debt (eg by the debt servicing requirements as set out in the Local Government (Financial Reporting and Prudence) Regulations 2014). This is why there needs to be a more comprehensive approach to the issue of development capacity and ensuring there is enough housing and business land to meet demand. There is little point having an NPS which instructs councils to provide sufficient land if there is no viable way to provide the infrastructure and funding needed to bring the land to market.

We acknowledge the recently announced \$1 billion infrastructure fund to accelerate housing infrastructure. This is a welcome initiative. However, it is unclear how councils will be able to access the fund and we are also concerned about the pressure on the fund given the number of high growth areas that will be able to apply to it. Clarity around how the debt will be repaid is also needed.

The Proposed NPS identifies Tauranga as a high growth area, and thus subject to the NPS in its entirety. Table 1 of the Proposed NPS identifies Tauranga City, Western Bay of Plenty District and the Bay of Plenty Regional Council as the relevant councils for the Tauranga high growth area. SmartGrowth supports this approach as it is important that the sub-regional SmartGrowth partners are involved in the implementation of the Proposed NPS as it relates to Tauranga.

SmartGrowth does have some concerns around particular areas of the Proposed NPS. Areas of concern and support are outlined below. Section 4.7 contains responses to the specific questions outlined in the consultation document.

#### **4.2 Outcomes for Decision-Making**

SmartGrowth supports the recognition in this section of the Proposed NPS of the importance of local urban development at local / regional and national levels.

It is important that there is a coordinated approach to achieving the outcomes sought by the Proposed NPS. There are a number of existing tools and partnerships across the Upper North Island growth area that should be factored in.

SmartGrowth is of the view that the outcomes sought as outlined in this section of the Proposed NPS may be difficult to achieve unless wider issues that can inhibit bringing development to market are also addressed. This includes the funding of infrastructure and issues around land banking. Developers cannot be compelled to bring land to market. Land banking is a significant issue in terms of ensuring that there is adequate supply to meet market demand in a timely and efficient manner. Mechanisms to incentivise developers to bring land to market should be considered as part of the implementation of the Proposed NPS.

There are also issues around the use of covenants in new developments which make building affordable housing impossible. Building covenants require homes to be bigger and to be designed in specific ways that increase costs. These covenants preclude the building of basic, small homes. It is not only covenants that are being used to determine building standards and house size, but also design rules/guidelines and the use of the terms and conditions for the sale and purchase of sections. Tauranga City Council has undertaken some preliminary analysis which indicates that the additional costs are easily well over \$100,000. SmartGrowth would like to see some regulation of private building covenants (and similar mechanisms) as part of a more comprehensive package of proposals to address housing affordability.

### 4.3 Evidence and Monitoring to Support Decision-Making

SmartGrowth submits that the Proposed NPS should factor in existing work that has been undertaken in terms of housing assessments, business land assessments, consultation and monitoring. At present the Proposed NPS requires de novo assessments when in a lot of situations, including the western Bay of Plenty sub-region, significant work has already been undertaken and should be able to be relied upon.

SmartGrowth is of the view that PB1 should be amended so that existing relevant work can be used. There needs to be some flexibility around how the assessments are undertaken, especially for councils where detailed analysis has already been completed and is relatively current. The following suggested change is sought to this policy:

*PB1: Local authorities must, by the end of 2018, or within 12 months of becoming a Medium or High Growth Urban Area, and thereafter on at least a three-yearly basis, carry out:*

- *A Housing Assessment that estimates the demand for dwellings, including the demand of different groups in the population for different types of dwellings, locations and price points, and the supply of development capacity to meet that demand, in the short, medium and long-terms; and*
- *A Business Land Assessment that estimates the demand for the different types and locations of floor area for the local business sectors, and the supply of development capacity to meet that demand, in the short, medium and long-terms.*

*Local authorities must have regard to the benefits of publishing the assessments under policy PB1.*

*Local authorities may rely on existing housing or business land assessments that have been undertaken and update these to meet the requirements of policy PB1.*

Issues around data consistency for Policy PB2 need to be addressed. The Proposed NPS requests that councils use the data in Appendix 2 which is based on Statistics NZ medium projections. A number of growth areas use Statistics NZ 'high' projections to ensure there is sufficient supply given that growth levels often exceed what Statistics NZ projects.

Policy PB2 should make reference to existing growth strategies and / or spatial plans. These provide important strategic direction as well as information and data to support the assessments. The following addition to this policy is sought:



*PB2: In carrying out the assessments required under policy PB1, local authorities must have particular regard to:*

- *Demographic change, including population growth and household size projections, using the most recent Statistics New Zealand growth projections set out in Appendix A2.*
- *Future changes in the sectoral composition of the local economy and the impacts that this might have on residential and business demand.*
- *Information on the market's response to planning obtained through monitoring under PB5.*
- *Existing strategies or plans which are relevant to development capacity, such as growth strategies and spatial plans.*

Policy PB3 in the Proposed NPS requires that in carrying out housing and business land assessments particular regard must be had to the actual and likely availability of infrastructure. It would be helpful for the final NPS to define what "likely infrastructure" means. SmartGrowth suggests that it should refer to infrastructure identified in either a Long Term Plan or Infrastructure Strategy.

Clarity is also required around several aspects of the terminology used and the metrics that guide the Housing and Business Land Assessments, including:

- The extent of catchments
- More detail on what is "sufficient"
- Infrastructure definition should include telecommunications, power and community infrastructure

SmartGrowth seeks greater clarity around the approach to development capacity. There should be a graduated approach to development capacity in the short, medium and long term, for example combinations of zoned, viable and serviced land. Such an approach could be as follows:

- Short term (3 yrs) - Land should be zoned, viable and serviced (i.e. development-ready)
- Medium term (10 yrs) – Zoned, viable and an investment strategy in place (ie long term plan and infrastructure strategy)
- Long term (30yrs) - Identified in 30 year growth / infrastructure strategies

This would ensure that there is the right balance between development-ready land and not placing a burden on local authorities to service and fund land that is not required for another 10 years plus.

Policy PB3 refers to matters that local authorities should have particular regard to in carrying out the assessments required under policy PB1. SmartGrowth submits that this list should also include the impact on councils operational and capital expenditure and the funding ability of infrastructure providers to fund the infrastructure required in a timely manner. The following change is sought to the policy:

*PB3: In carrying out the assessments required under policy PB1, local authorities must estimate the sufficiency of development capacity provided by its plans and proposed and operative regional policy statements, having particular regard to:*

- *The cumulative effect of all zoning, objectives, policies, rules and overlays in plans, and the effect this will have on opportunities for development being taken up.*
- *The actual and likely availability of infrastructure.*
- *The current physical and commercial feasibility of development capacity.*
- *The likelihood of opportunities for development being taken up.*
- *The impact on a local authority's operational and capital expenditure*
- *The funding ability of providers to fund infrastructure in a timely manner.*

SmartGrowth supports the recognition in the policies of the shared responsibilities that exist across local authorities and with other infrastructure providers, including developers.

SmartGrowth supports having centralised assistance for the assessments and their implementation and also for data management where appropriate.

#### **4.4 Co-ordinated Evidence and Decision-Making**

SmartGrowth supports an integrated planning approach across providers as set out in policies PC1 to PC3. SmartGrowth already takes this approach through strategy implementation and the delivery of the settlement pattern.

## 4.5 Responsive Planning

### Timeframes

The timeframes proposed may be too tight in terms of completing consistent assessments, developing targets and implementing these. This will be particularly challenging if guidance isn't available immediately after the adoption of the Proposed NPS.

SmartGrowth seeks greater clarity around the timeframes on implementing any planning changes as the current timeframes may be overly ambitious, particularly for policies PB1 and PD4. It is unclear when housing and business assessments have to be completed by. The policy states either by the end of 2018 or upon becoming a high growth area. However, some areas are high growth now so does this mean that assessments need to be completed within one year of the Proposed NPS becoming operative or does this only apply to new high growth areas? This needs to be more explicit.

Policy PD4 requires that regional councils amend their regional policy statements to give effect to policies PD5 to PD6 by:

- The end of 2018; or
- Earlier if the Housing Assessment required under policy PB1 shows development capacity is insufficient to meet demand; or
- Within 12 months of becoming a High Growth Urban Area.

This is problematic as it requires a change to the RPS to be completed at the same time as the assessments. The results of the assessments would need to be known first. Then there needs to be time to prepare the change. It is acknowledged that Schedule 1 processes will not apply given Section 55(2A) of the RMA 1991, however preparing the change and making the amendments will still take time.

Transitional Provisions should be considered in the Proposed NPS to ensure that timeframes can be met and also allowing effective implementation to occur.

## **Targets**

SmartGrowth supports the direction to have targets in a regional policy statement relating to the number of dwellings and the different types of dwellings. The Bay of Plenty Regional Policy Statement already contains density targets. The SmartGrowth Strategy and supporting documents also contain dwelling numbers, including the need for different types of dwellings (eg intensification, infill, suburban / greenfield), therefore only minor tweaks will be required in order to align with the Proposed NPS.

PD5 provides that minimum targets must include an additional margin of at least 20% over and above projected short and medium-term demand; and 15% over and above projected long-term demand. It is unclear from the NPS why these figures have been included and in some instances this additional capacity may result in an over allocation of supply and potential unnecessary costs being born by local government to fund development capacity that may not be required in the short to medium term.

## **Land Release and Intensification Strategy**

SmartGrowth supports Policy PD7 which provides for a future land release and intensification strategy. We note that the term 'intensification' should be defined.

Policy PD9 should reference existing growth strategies or spatial plans. These would provide important guidance for any land release and intensification strategy. The following changes to this policy are sought:

*PD9: In developing this strategy, local authorities must:*

- *Be informed by the Housing Assessment and Business Land Assessment required under policy PB1;*
- *Take into account the views of infrastructure providers, land owners, the property development sector and any other stakeholders as they see fit;*
- *Have regard to plans and strategies relevant to future land release and intensification; and*
- *Have particular regard to policy PA1.*

## **Infrastructure and Funding Considerations**

Urban development is considered to be a nationally significant issue as outlined in section 4 of the Proposed NPS. Given the importance of the issue it should have access to the funding tools required to enable it to occur. This may be a matter that falls outside of the Proposed NPS but it needs to be addressed as part of its implementation.

SmartGrowth is of the view that co-investment is needed across the full package of infrastructure. This co-investment includes the private sector, local authorities and Central Government agencies. This package of infrastructure is not just network infrastructure but also relates to community and social infrastructure – all the elements required for creating urban communities.

As noted earlier in this submission debt capacity for councils is a significant limiting factor in terms of providing the infrastructure required to bring land and housing to market.

SmartGrowth is of the view that complementary measures are required to actually deliver on development capacity and sufficient housing, including ultimate housing affordability outcomes. A wider toolkit needs to be implemented alongside the Proposed NPS, including non-market housing, aligning other Government investment frameworks with the NPS (eg NZ Transport Agency, Ministry of Education), development agencies / land acquisition / value uplift models, loan facilities from the Government to local authorities for growth related infrastructure.

### **4.6 Implementation**

SmartGrowth supports the guidance material proposed as part of implementation. It is important that there is a co-ordinated approach between central government and local government to manage future growth.

### **4.7 Response to Questions**

#### **What do you think of the proposal to target policies to different areas?**

This is supported given the different growth rates which result in varying needs in terms of development.

**Would these policies result in better decision-making under the Resource Management Act 1991 for urban development?**

It is hoped that there would be better decision-making as a result of greater understanding of the supply and demand needs of an area for housing and business. However, decisions around urban development capacity need to be made in overall context of having land in the right locations, that support existing infrastructure and services as much as possible, that have strong links with agreed growth strategies / spatial plans and settlement patterns, and promote liveable communities. The policies in the Proposed NPS, given its narrower focus on development capacity, won't necessarily be able to achieve this.

**What impact would the policy to recognise the positive impacts of development have?**

This should have a strong impact as it binds all decision-makers to maximise the positive effects of a development.

**What could the government do to help local authorities carry out the assessments?**

- Ensure there is consistency in undertaking the assessments
- Provide detailed guidelines on how the housing and business assessments should be undertaken
- Provide information on development feasibility and how this is understood over time
- Provide information on assessing the demand of different groups in the population for different types of dwellings – this is a very important area and one which councils may require knowledge sharing and potential funding assistance with
- Business land assessments are also inherently difficult so focused guidance in this area would be useful
- Allow local authorities to make full use of their existing work and information sources to undertake the assessments (eg if a council has recently undertaken a business land assessment they should be able to use this and not complete another assessment)
- Data consistency
- Better definitions of terms and what is expected

**Is three years an appropriate timeframe to update the assessments?**

Yes. It is important that this also aligns with Long Term Plans so that infrastructure can be provided for if required for any short or medium term needs.

**Should there be more direction in the proposed NPS on how to assess the commercial feasibility of plan-enabled development capacity?**

Yes given the complex nature of commercial feasibility. Detailed guidance on how local government should assess and determine feasibility is critical. The experience of SmartGrowth has shown that developments which were considered unviable or unfeasible at one point in time, can often end up feasible later on if circumstances change. This can work the other way too. Therefore it is important to factor in a certain amount of flexibility and adaptability to changed circumstances.

**Would the proposed policies contribute to better coordination between land-use planning and infrastructure provision?**

To some extent it will but consideration should also be given to coordination across the various planning statutes in order to ensure there is integration between all planning documents, ie across the Resource Management Act, the Local Government Act and the Land Transport Management Act.

**What are your views on setting minimum targets in the regional policy statement?**

SmartGrowth supports this approach as there are already some targets (eg dwelling densities) in place through the Bay of Plenty Regional Policy Statement.

