

QLDC Council
24 November 2016

Report for Agenda Item: 2

Department: Planning & Development

Update on the National Policy Statement on Urban Development Capacity

Purpose

The purpose of this report is to provide an overview of the National Policy Statement on Urban Development Capacity (NPS-UDC) and how it will affect Council.

Recommendation

That Council:

1. **Note** the contents of this report, in particular the key required deliverables and timeframes to give effect to the NPS-UDC [in paragraph 12];
2. **Note** the relationship between this agenda item, the Proposed District Plan and the review of Council's Lead Policy for Special Housing Areas, both of which provide a mechanism to deliver additional land supply; and
3. **Note** the required deliverables will have resourcing implications that will be determined and reported for consideration as part of the 2017/18 Annual Plan.

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Background

- 1 In August 2015, the Ministry for the Environment announced 'A way forward for National Direction' involving a suite of updates to existing National Environmental Standards and National Policy Statements under the Resource Management Act 1991 (RMA).
- 2 On 2 June 2016 the '*Proposed NPS on Urban Development Capacity: Consultation Document*' was released, seeking feedback from the public via a submissions process.
- 3 A workshop was held with Councillors on 14 June 2016, and an agenda report outlining the submissions process was considered by Full Council at its meeting of 30 June 2016. A submission was lodged by QLDC on 15 July 2015 (**Attachment A**). A summary of the main submission points is provided below.
- 4 The NPS-UDC was developed using the 'streamlined' process under the RMA, where it was simply issued by the Minister following consideration of submissions. The NPS-UDC will take effect on 1 December 2016. A copy is appended as **Attachment B**.
- 5 A NPS sets objectives and policies for matters of national significance. The RMA directs that a local authority must amend its district plan to be consistent with the National Policy Statement. They are also directly applicable when considering resource consent applications.

Summary of the NPS-UDC

- 6 The NPS-UDC provides national direction on planning for urban environments, with a particular focus on ensuring that local authorities, through their planning:
 - *enable urban environments to grow and change in response to the needs of the communities and future generations, and*
 - *provide enough space for their populations to happily live and work*".
- 7 The overall intent is to require councils having Medium and High Growth urban areas to provide "sufficient" and "feasible" housing and business land development capacity to meet demand. Queenstown is identified as a 'High-Growth Urban Area'
- 8 Demand for housing and business land is required to be assessed over the short (3 years), medium (3-10 years) and long terms (10-30 years); and in response, enough feasible development capacity is required to be provided by District Plans to meet this demand.
- 9 The NPS specifies that "sufficient" development capacity should account for the likelihood that not all feasible capacity will be developed and, therefore, requires provision of an additional margin of 20% over and above the projected short and medium-term residential business demand, and 15% over and above the projected long term residential and business demand (Policy PC1).

- 10 Local authorities must consider all methods under the RMA to enable sufficient development capacity, including changes to plans, consenting processes, and the conditions of consent. The provision of development capacity is not limited to the supply of greenfield land and can include infill and brownfield development.
- 11 The provision of development capacity required by the NPS-UDC can be supported by the recent extension to the Housing Accords and Special Housing Areas Act legislation (HAASHA), and the proposed revision of Councils Lead Policy, including the proposed nomination of locations in which SHAs proposals are anticipated. This is detailed within a separate Agenda item.

Key required deliverables and timeframes for Council

12 The NPS-UDC requires the following key deliverables from QLDC:

- Preparation of a housing and business development capacity assessment (PB1): to estimate the demand for dwellings, including the demand of different types of dwellings, locations and price points. Prepared initially by end of 2017, and thereafter every 3 years.
- Monitoring of indicators and price signals: start monitoring within 6 months of NPS being operative; thereafter revised on a quarterly basis. Begin using this information by the end of 2017.
- Setting of minimum development targets (PC5 to PC11): setting of targets within the District Plan (and working with the ORC to set targets in the Regional Policy Statement) to meet demand for housing. Complete by 31 December 2018.
- Preparation of a Future Development Strategy: preparation of a Future Development Strategy to demonstrate there will be sufficient, feasible development capacity in the medium and long term, and set out how the minimum targets will be met (PC12). Complete by 31 December 2018.

13 Plan changes will then be required to action the results of the above

Implications for Council

- 14 The NPS-UDC requires the analysis of “sufficient” development capacity. This should account for the likelihood that not all capacity will be developed and, therefore, requires provision of an additional margin of 20% over and above the projected short and medium-term residential business demand, and 15% over and above the projected long term residential and business demand.
- 15 The sufficient development capacity referred to above must be serviced with infrastructure in the short (1-3 years) and medium terms (3-10 years), which could have significant budgetary implications for small local authorities with high growth like QLDC. In the past, QLDC has tended to require developers to provide all infrastructure, rather than building it *before* development and seeking to recoup the capital costs through development contributions.

Short term	Development capacity must be feasible, zoned and serviced with development infrastructure.
Medium term	Development capacity must be feasible, zoned and either: <ul style="list-style-type: none"> • serviced with development infrastructure, or • the funding for the development infrastructure required to service that development capacity must be identified in a Long Term Plan required under the Local Government Act 2002.
Long-term	Development capacity must be feasible, identified in relevant plans and strategies, and the development infrastructure required to service it must be identified in the relevant Infrastructure Strategy required under the Local Government Act 2002.

16 Policy PB7 requires high and medium-growth local authorities to monitor indicators of price efficiency. Price efficiency and competitiveness indicators will be specified in guidance. Government will provide some of the data that local authorities will need efficiency indicators and the preparation of guidance on implementing policies PB6 and PB7

17 Policy PC5 requires *regional councils* to set minimum targets for sufficient, feasible development capacity for housing. Policy PD1 strongly encourages Councils to work together. QLDC will have to work closely with the Otago Regional Council to ensure the minimum targets set are suitable.

Implications for QLDC workload and resourcing

18 The NPS-UDC imposes a number of additional requirements on QLDC as described in paragraph 12 above. The exact implications are still to be assessed, but further work will be required and could include engaging external expertise to complete the necessary monitoring and assessment, particularly with regard to determining the feasibility of development. Preparation of the Future Development Strategy will also require staff and Councillor resource.

19 Officers will report back in time on resourcing implications as part of the 2017/18 Annual Plan round.

QLDC submission points and key changes since the notified version:

20 Key points of QLDC's submission were:

- a. *recognition of costs of compliance for smaller local authorities, and support through preparation of guidance or standard methodologies for dwelling capacity models;*

21 This submission point appears to have been accepted through invites for officers to be involved in technical groups preparing methodologies.

- a. *highlighting difficulties with land banking, and methods to overcome this;*

22 This submission point has not been addressed in the revised NPS.

- a. *required support through the RMA to achieve "responsive" and timely planning outcomes;*

23 This submission point is to be addressed through changes to the Resource Management Act.

- a. *providing an equally strong direction around supporting high quality redevelopment and intensification, in addition to greenfield availability;*

24 This submission point was accepted through changes to the NPS-UDC.

- a. *integration with infrastructure planning processes under the LGA;*

25 This submission point was accepted and the NPS-UDC now requires integration with infrastructure planning under the LGA

- a. *complexities of visitor accommodation and holiday / second homes as a portion of local housing demand;*

26 The NPS-UDC clarifies the need for housing for visitor accommodation will also need to be analysed and provided as a portion of plan enabled capacity

- a. *QLDC is the only 'high growth' area within the Otago Region and is therefore best placed to understand the complexities of the local housing market and to undertake assessments and set targets under the NPS, rather than the regional council;*

27 This submission point was not accepted. The ORC will set targets for Queenstown.

- a. *potential for legal challenge over the targets set by Council and supporting assessments in relation to resource consents.*

28 This submission point was not addressed.

Options

29 There are no options applicable to this agenda item, which contains only a 'note' recommendation.

Significance and Engagement

30 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because of:

- a. the potential risks to the environment, landscape and social, economic and cultural wellbeing
- b. the importance of growth management approaches to the community
- c. the Proposed NPS potentially compromises the integrity of Councils Proposed District Plan which seeks to achieve a compact urban form
- d. the financial implications associated with compliance, and processes of the Financial Strategy, Ten Year Plan and Annual Plan.

Risk

31 This matter relates to the strategic risk SR1 'Current and future development needs of the community (including environmental protection), as documented in the Council's risk register. The risk is classed as high. This matter relates to this risk because the NPS will have a significant influence on future planning processes under both the Operative and Proposed District Plans, in addition to affecting processes of the 10 Year Plan and Asset Management Plans.

Financial Implications

32 The implementation of the proposed NPS will create additional responsibilities for Council, with associated financial costs and resourcing requirements that have not been accounted for within current operational budgets. The provision of infrastructure needed to support new development capacity (if enabled under the NPS) will also affect funding processes under the 10 Year Plan and Annual Plan.

Council Policies, Strategies and Bylaws

33 The following Council policies, strategies and bylaws were considered:

- Operative District Plan
- Proposed District Plan
- Proposed Annual Plan 2016/2017
- 10 Year Plan 2015-2025

34 This matter is included in the 10-Year Plan/Annual Plan to the extent that it affects strategic regulatory functions and services, and will potentially lead to financial implications for the provision of core infrastructure and services.

Consultation: Community Views and Preferences

35 No consultation has been undertaken in relation to this agenda item.

Legal Considerations and Statutory Responsibilities

36 The proposed NPS, if implemented, will create additional statutory responsibilities for Council under the RMA and LGA 2002.

Attachments

- A QLDC submission on the proposed NPS
- B Final National Policy Statement on Urban Development (not attached)
<http://www.mfe.govt.nz/publications/towns-and-cities/national-policy-statement-urban-development-capacity-2016>