

QLDC Council
30 June 2016

Report for Agenda Item: 18

Department: Planning & Development

QLDC Submission on the Proposed National Policy Statement (NPS) on Urban Development Capacity

Purpose

The purpose of this report is to provide an overview of the 'Proposed NPS on Urban Development Capacity' (released on 2 June 2016), and to seek Council's endorsement for the Mayor and Portfolio Leader (Resource Management and Planning) to be delegated authority to finalise and submit a detailed submission to the Ministry for the Environment (MfE).

Recommendation

That Council:

1. **Note** the contents of this report, in particular the preliminary conclusions of Council Officers on the proposed National Policy Statement, and suggested submission points;
2. **Confirm** that the Council will lodge on, or prior to, 15 July 2016 a detailed submission to the Ministry for the Environment on the proposed National Policy Statement on Urban Development Capacity; and
3. **Delegate** the Mayor and Portfolio Leader (Resource Management and Planning) to refine and finalise the detailed submission.

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16/06/2016

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Background

- 1 In August 2015, the Ministry for the Environment (MfE) announced 'A way forward for National Direction' involving a suite of updates to existing National Environmental Standards (NES) and National Policy Statements (NPS) under the *Resource Management Act 1991 (RMA)*; in addition to the development of a number of new National Policy Statements.
- 2 On 2 June 2016 the '*Proposed NPS on Urban Development Capacity: Consultation Document*' (the 'proposed NPS') was released, seeking feedback from the public via a submissions process. The proposed NPS has the overall intent to require councils having medium and high growth urban areas within their jurisdiction, to provide sufficient residential and business land capacity to meet demand. In accordance with the definitions of the proposed NPS, Queenstown is identified as a 'High Growth Urban Area'.
- 3 The consultation document and notification process provides Council with the opportunity to submit on the proposed NPS. Public submissions close at 5pm on Friday 15 July.
- 4 The Minister has elected to utilise the process under s46A(1)(b) of the RMA in order to develop and implement the proposed NPS in a timely manner. As such no board of inquiry process applies.
- 5 Following the close of submissions, the MfE will prepare a summary report including recommendations for the Minister to consider. The Minister will then decide whether or not to approve the proposed NPS. If the proposed NPS is approved, it is currently scheduled to take effect from October 2016.
- 6 A workshop was held with Councillors on 14 June 2016 to discuss the proposed NPS and its potential implications.
- 7 This report summarises the purpose and requirements of the proposed NPS, and recommends that a submission be developed by Council.

Comment

Summary of the Proposed NPS on Urban Development Capacity

- 8 The preamble to the proposed NPS states that the NPS "*has a particular focus on ensuring that planning enables development through providing sufficient land capacity for housing and businesses*". The proposed NPS attempts to connect development economics and planning, and sets the policy framework to require councils to undertake detailed assessments to determine capacity versus demand for residential and business land.
- 9 Specifically, the proposed NPS would require councils to develop the following documents, initially, by the end of 2018, or within 12 months of becoming a medium or high growth urban area, and thereafter on a three yearly basis:
- 10 **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”.

- 11 **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”.*
- 12 **Future Land Release & Intensification Strategy:** *“to demonstrate that there will be sufficient development capacity in the medium and long terms, and that minimum targets will be met”.*
- 13 In the analysis of development capacity, the proposed NPS requires consideration to capacity that is ‘feasible’ to develop.
- 14 Where the evidence base or monitoring indicates that development capacity is not met, local authorities must respond by providing sufficient development capacity.
- 15 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. It is noted that the term “development capacity” is defined under the proposed NPS and is not necessarily limited to the supply of greenfield land.

Sufficient development capacity

- 16 The proposed NPS requires the analysis of “sufficient” development capacity. The proposed NPS specifies that “sufficient” development capacity 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.

Implications for data collection and monitoring

- 17 As per policy PB5 of the proposed NPS, Council will be required to monitor the following economic and market indicators to inform development of Housing and Business Assessments:
 - *“The relative affordability of housing, including the ratio of house price to income and the relative cost to rent;*
 - *The increase in house prices and rents;*
 - *The number of resource and building consents granted relative to the growth in population;*
 - *Vacancy rates for business land;*
 - *The ratio of the value of land between rural and urban zoned land; and*

- *The ratio of the value of improvements to the value of land within the urban area”.*

Submissions process

- 18 The proposed NPS introduces a range of new, or increased, responsibilities for Council. As such, it is recommended that Council lodge a detailed submission to seek that the NPS provides a policy document that is reasonable and workable to implement.
- 19 The preliminary conclusions of Council Officers and suggested submission points are outlined below:
- The proposed NPS is unlikely to have any significant benefit in Queenstown as it oversimplifies the complexities of land supply, and fails to address other economic influences, including land-banking.
 - It will create additional compliance and reporting responsibilities for Council, without achieving meaningful benefits to the availability or affordability of land.
 - It does not address factors which create artificial demand, such as speculation, particularly in a District with significant tourism.
 - It will result in additional resourcing requirements in association with the preparation of Housing Assessment, Business Land Assessment and the Future Land Release and Intensification Strategy.
 - It does not adequately recognise the processes required to plan and fund new infrastructure, particularly where located at increasing distances from existing urban areas
 - It has an inherent assumption for unlimited growth to meet demand, with associated risks to social, economic and cultural wellbeing; and compromising the District’s significant landscapes. It does not address impacts to place-making and creating a cohesive community.
 - The ability to achieve responsive planning is limited by the lengthy plan change and appeal processes under the RMA.
 - It provides limited guidance to the consideration of the portion of housing occupied by visitors and prevalence of vacant housing.
 - Duplication of compliance responsibilities with the Otago Regional Council should be refined.
- 20 A draft table of suggested submission points is included within **Attachment C** and can be used to inform the content of the detailed submission.

Options

21 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:

22 Option 1 The Mayor and Portfolio Leader (Resource Management and Planning) refine and finalise a detailed submission on the Proposed NPS.

Advantages:

- a. Allows Council to put forward its views on the proposed NPS, any points of support or concern, and the opportunity to achieve a policy document that is reasonable and workable to implement.
- b. Allows Council to identify any errors or ambiguities within the proposed NPS as notified.
- c. Allows Council to highlight and provide local context to a range of other factors which influence housing supply and affordability, and which may not be currently addressed by the proposed NPS.
- d. Allows Council to highlight and provide local context to the practical implications of implementing the proposed NPS.
- e. Supports the achievement of social and economic wellbeing through identifying possible implications of the proposed NPS on the community.

Disadvantages:

- a. Time and resourcing required by Council to develop the submission.

23 Option 2 Do not lodge a submission on the proposed NPS.

Advantages:

- a. Avoids time and resources required to develop a submission.

Disadvantages:

- a. Council will forego the opportunity to provide input to the proposed NPS, with potential consequences that the policy framework is not appropriate for the local context, considering (but not limited to):
 - i. Social, economic and cultural risks
 - ii. Possible environmental and landscape effects
 - iii. Complexities for infrastructure planning, provision and financing
 - iv. Financial implications associated with data collection and reporting

- b. Council will forego the opportunity to provide meaningful input to the Proposed NPS.
- c. Failure to represent the social, economic and cultural wellbeing of the community.

24 This report recommends **Option 1** for addressing the matter, as it allows Council to put forward its views on the Proposed NPS, any points of support or concern, and the opportunity to achieve a policy document that is reasonable and workable to implement.

Significance and Engagement

25 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 short time frame in which the proposed NPS has been developed and is due to be implemented;
- d. the proposed NPS potentially compromises the integrity of Council's Proposed District Plan which seeks to achieve a compact urban form; and
- e. the financial implications associated with compliance, and processes of the Financial Strategy, Ten Year Plan and Annual Plan.

Risk

26 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 Proposed 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.

27 The recommended option considered above mitigates the risk by: 'Treating the risk – putting measures in place which directly impact the risk'.

28 Developing a submission on the proposed NPS will enable Council to provide input to the regulatory framework under the *Resource Management Act 1991* which will impact on future decision making.

Financial Implications

29 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

30 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

31 The recommended option is consistent with the principles set out in the named policy/policies.

32 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.

Local Government Act 2002 Purpose Provisions

33 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

Consultation: Community Views and Preferences

34 The persons who are affected by or interested in this matter are:

- a. residents/ratepayers of the Queenstown Lakes district community;
- b. the business, investment and tourism sectors located outside of the district; and
- c. infrastructure providers.

35 As the proposed NPS has been developed by Central Government, the MfE has primary responsibility for coordinating the public consultation and engagement processes. The Council has not undertaken any additional consultation or engagement with the community outside of that undertaken by the MfE. The proposed NPS is a public document and any person within the community may lodge a submission within the specified feedback period.

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 Proposed National Policy Statement on Urban Development (Consultation Document)
- B Summary of the Proposed National Policy Statement on Urban Development Capacity
- C Draft Table of Suggested Submission Points