

The Chair
Cabinet State Sector Reform and Expenditure Control Committee

RESPONSE TO THE PRODUCTIVITY COMMISSION REPORT ON ITS INQUIRY INTO HOUSING AFFORDABILITY

Proposal

- 1 This paper seeks approval for the Government's response to the Productivity Commission's (the Commission's) Inquiry into Housing Affordability. Drawing on the Commission's analysis, it outlines a range of policy options aimed at significantly lowering the cost of housing over the medium term.

Executive Summary

- 2 The Government recognises that housing affordability is a critical issue facing New Zealand and agrees with the key recommendations made by the Commission. We agree with the Commission that the focus should be addressing factors that affect the responsiveness of supply, such as ensuring an adequate supply of land, infrastructure provision, reducing the time and cost of regulatory processes, and improving the productivity of the building sector. Our aim is to move the equilibrium price of housing by changing fundamentals in the market, rather than simply targeting low-end housing.
- 3 To achieve this, we need to address barriers at each level in the housing supply chain. Councils are a particularly critical player given their impact on the elasticity of supply through the planning, land use regulation, infrastructure provision, and building consenting stages in the supply chain. The Government intends to ensure councils advance our housing affordability objectives by: (i) reducing the ability of councils to exercise a level of prescription that adds unnecessary costs and delays; and (ii) improving their incentives to increase the supply of land and provide efficient and timely infrastructure.
- 4 We already have some practical policy reforms in train to give effect to the Commission's recommendations, including streamlining the process for the first Auckland Unitary Plan, reviewing Part Two of the Resource Management Act (RMA) to better support urban planning and decision making, and the requirement for a single resource management plan per district.
- 5 However, given the scale of the housing affordability problem, I propose we bring forward work to explore options for providing Local Government with greater central direction to increase forward land supply and provide for a broader range of permitted activities (currently being considered as part of the more substantive range of RMA reforms scheduled for 2013). I also propose targeted work on a range of further initiatives on which we are not yet able to take decisions. These initiatives are set out in detail in Appendix A and range from the establishment of a competitor agency for resource consents/plan changes to exploring the consolidation of Building Consent Authorities.
- 6 Officials consider that these changes are likely to have a moderate impact on house prices over the medium term, without significantly or unreasonably compromising other objectives such as environmental protection or local democracy. The reforms to the RMA, Local Government Act (LGA) and Building Act that are already underway provide

an opportunity to make the set of changes that will improve housing affordability in a coherent way.

- 7 For councils that do not improve their decision making and planning practices in line with the increased central government direction, I propose we undertake detailed scoping work on options to override district plan provisions should councils fail to improve their decision-making and planning practices to support housing affordability.
- 8 Over the longer term, I am advised that government may need to address demand side issues such as incentives in the tax system that may favour residential investment.
- 9 Reducing house prices will help to reduce housing stress from high housing costs relative to incomes across the board. For households on the lowest incomes, we need to get better outcomes from housing assistance programmes and state housing. For this reason, faster progress on implementing the Social Housing Reform Programme is one of the other major areas of focus recommended by the Commission. Decisions on next steps in social housing must address access to affordable housing where it is most needed and better target housing assistance for New Zealanders on the lowest incomes. We will also need to maximise opportunities to improve housing affordability in Christchurch and Auckland in the near term.

Background

- 10 In March 2011 the Government requested that the Commission undertake an inquiry to evaluate the factors influencing the affordability of housing (both rental and owner-occupied housing), and to identify potential opportunities to increase housing affordability. The referring Ministers to this inquiry were the Minister of Finance, the Minister for the Environment, the Minister of Housing, the Minister for Building and Construction, and the Minister for Regulatory Reform.
- 11 The Commission's final report on housing affordability, including 35 recommendations to Government, was tabled in Parliament on 11 April 2012. The Government is due to respond to the Productivity Commission in October.
- 12 The Commission concludes that there are multiple barriers to a more effective housing market which meets the needs of New Zealanders. It argues that a coherent and determined push across a broad set of policy areas is required to meaningfully improve housing affordability. Its analysis suggests that the most material barriers are: land supply restrictions, paying for infrastructure development, low productivity in the construction sector, and costs and delays in regulatory processes. The Commission's recommendations focus on areas for review in both central and local government, but in most cases stop short of identifying specific policy changes.

Why is housing affordability important?

- 13 Real house prices in New Zealand almost doubled between 2001 and 2007 and remain far out of step with incomes. Predicting housing demand is difficult, but the available projections suggest that 20,000-23,000 new units of housing are required across the country per year over the next five years to keep pace with demographic and other changes in the market. However, average building consent volumes over the last three years show the current level of new housing construction is less than 15,000 units per year.¹ The most acute problems are meeting demand in Auckland, where 75% of

¹ Department of Building and Housing, 'Briefing to the Minister for Building and Construction' (2011).

growth is expected in the next 30 years, and in Canterbury which lost over 16,000 houses as a result of the earthquakes.

- 14 Well-functioning housing markets are important to economic performance and to individual and family wellbeing. Instability in the housing market can be associated with volatility in economic activity, owing to the link between house prices, credit constraints and household consumption, and can have damaging effects on levels of business investment and long-term growth prospects. Poor quality, overcrowding and other manifestations of a housing shortage have adverse impacts on health, education and other determinants of living standards. Housing is a large part of individuals' consumption, investment and savings decisions and the recent rapid rise in house prices has contributed to net wealth inequalities. We are also conscious that the proportion of new houses built for the lower quartile of the market has been declining over time.

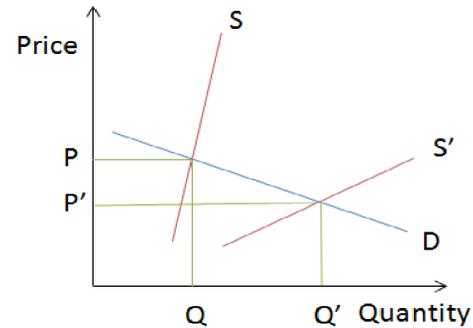
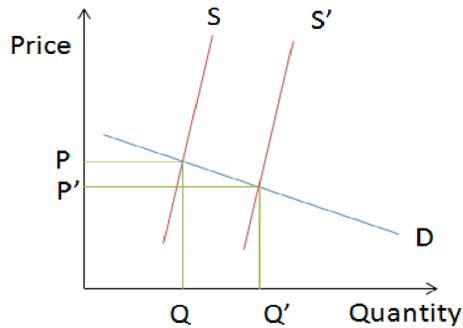
What drives housing affordability?

- 15 Housing affordability is primarily driven by the interaction of demand and supply. In the short term, the supply of housing is relatively inelastic/unresponsive. Increases in demand tend to push up prices and shocks to demand or supply can have a large impact on prices. In the longer term, the supply of housing is more elastic as developers respond to new demand and rising prices. In general, the long term supply curve is less than fully elastic so that as housing demand rises, supply of new units will rise but so will prices.
- 16 Housing supply tends to be slow in responding to changes in demand because it can take several years to transform bare land to a construction-ready state (including the supporting infrastructure). Regulation lowers the elasticity of new housing supply by increasing lags in the process and adding to the cost of supplying new houses on the margin. Regulation which is binding also raises the price of land. After controlling for a variety of factors, a 2009 study found land just within Auckland's Metropolitan Urban Limit (MUL) is valued approximately ten times higher than land just outside the MUL.² Constraints on supply mean that increased demand is translated into higher house prices, rather than an expansion in housing supply.
- 17 The Government's objective is to remove barriers to supply to increase the housing market's responsiveness to demand. As the diagrams below show, increasing the elasticity of supply and shifting out the supply curve lead to price decreases at any given level of demand.

Increasing supply

Increasing supply and elasticity

² Grimes, A. & Y. Liang (2009) 'Spatial Determinants of Land Prices in Auckland: Does the Metropolitan Urban Limit Have an Effect?', *Applied Spatial Analysis and Policy*, 2:1, 23-45.



- 18 More elastic/responsive supply can lower the volatility of New Zealand's house price cycles or better manage their impacts. Increasing supply responsiveness should help to limit the price increases associated with rising long-term demand or shocks to demand.
- 19 In New Zealand, land use regulations that influence the supply side of the housing market are set and/or administered by local councils. Planning for residential development must take account of the three primary devolved regulatory frameworks: the Local Government Act, the Resource Management Act, and the Land Transport Management Act. Building industry practices are governed by the Building Act 2004 and all building work must comply with the Building Code. The efficiency with which councils implement and enforce regulations governing the land development and building sectors is therefore a key determinant of supply responsiveness.
- 20 Provision of infrastructure to support residential subdivisions can be a significant supply side cost. It is constructed by a mix of the private sector and councils. Generally infrastructure outside the subdivision will have been built by and maintained by the council. Increases in demand for services from new residential development may require upgrades to existing infrastructure outside the subdivision, or entirely new facilities. These upgrades or new facilities will not generally be built by developers, but may be partially or wholly funded by development contributions paid by developers.
- 21 Local roads within the subdivision will generally be built by the developer and then vested in the council (who is then responsible for their maintenance). Similarly, pipes and other infrastructure within the subdivision for the supply of freshwater, or disposal of wastewater and storm water may be provided by the developer (generally to standards set by a council), or by the council. Telecommunications, gas and electricity are generally provided by the utility provider, or the developer with the cooperation of the utility provider. Some developers will provide parks as part of their developments or a council will provide the park, reserve or community facility and may fund them through rates, development contributions or a combination of the two. To reduce risk, developers often release sections in stages so that they do not have to bear the entire cost of infrastructure for the subdivision for a prolonged period before getting a return from section or house sales.
- 22 Councils face mixed incentives on issues relating to housing affordability. On one hand, an increasing population and rating base provides economies of scale and opportunities to pursue significant community and infrastructure projects. On the other hand, increased development can create political pressure from community, NIMBY (not in my back yard), and special interest groups to restrict development that is perceived to have undesirable spillovers. Councils facing significant financial pressures may also have incentives to limit the supply of residential land zoned for development so they can spread infrastructure costs over a longer period of time.

- 23 Tax incentives and interest rates can have an important impact on house prices. Significant increases in underlying demand for housing are a result of high population growth in some areas and demographic change (i.e. smaller households). Effective housing demand has been boosted further over the decade by income growth, higher employment, lower real interest rates and increased access to credit. There has also been a trend in New Zealand towards larger and higher-specification houses, which has increased building costs.

Principles of the Government's approach

- 24 By changing the behaviours of market participants and regulators, there is room to increase the supply of housing, the speed of housing development, and the upfront certainty for developers without unreasonably compromising:
- sustainable resource use and core community values around amenity;
 - an acceptable level of public participation/local discretion; and
 - the quality of housing being built.
- 25 I consider that the appropriate principles to guide the Government's proposed response on housing affordability are:
- to focus on moving the equilibrium price of housing by changing fundamentals in the market, rather than simply targeting low-end housing;
 - to focus on access to housing, including affordable rental housing, as well as home ownership;
 - to refocus planning instruments on the coordination of urban development by limiting material negative externalities/spillovers from inappropriate land use, subject to the public benefits of any planning intervention exceeding the public costs;
 - to allow councils to retain control of the overall design of their towns or cities via the district plan, while allowing the market to determine the precise form of the built environment within the broad parameters provided by the plan;
 - to reduce unnecessary red tape, and thereby lower transaction costs, through greater standardization and reducing councils' scope to exercise low level control via greater central direction, allowing for contestability in consenting and access to low-cost legal challenge;
 - to remove barriers to greater construction industry productivity; and
 - to use housing assistance programmes and state housing to aide those currently too vulnerable or otherwise unable to participate positively in the housing market.

Key issues to address

- 26 Officials have tested the Commission's findings with a broad range of stakeholders in the past few months. There is general agreement that the key issues in addressing housing affordability are:
- the regulatory system, particularly regarding land use and planning. This is echoed by the Government's resource management reform work programme which has identified the following issues:

- investment uncertainty resulting from poor planning, lack of information and lack of clear central government direction;
- weak planning outcomes from practice which struggles to 'positively plan' for growing resource pressures;
- costs and delays resulting from unnecessarily litigious planning and consent processes that are often long and unpredictable;
- the provision and funding for infrastructure, particularly the role and influence of councils; and
- low productivity in the construction sector.

27 Figure 1 summarises the key issues through the housing development process and the implications of these issues for delay and costs.³

³ Figure 1 sources: New Zealand Productivity Commission Housing Affordability Inquiry (2012); 2010/11 RMA Survey Data; Cabinet Paper 'Costs of obtaining a resource consent for housing' (2008).

Figure 1

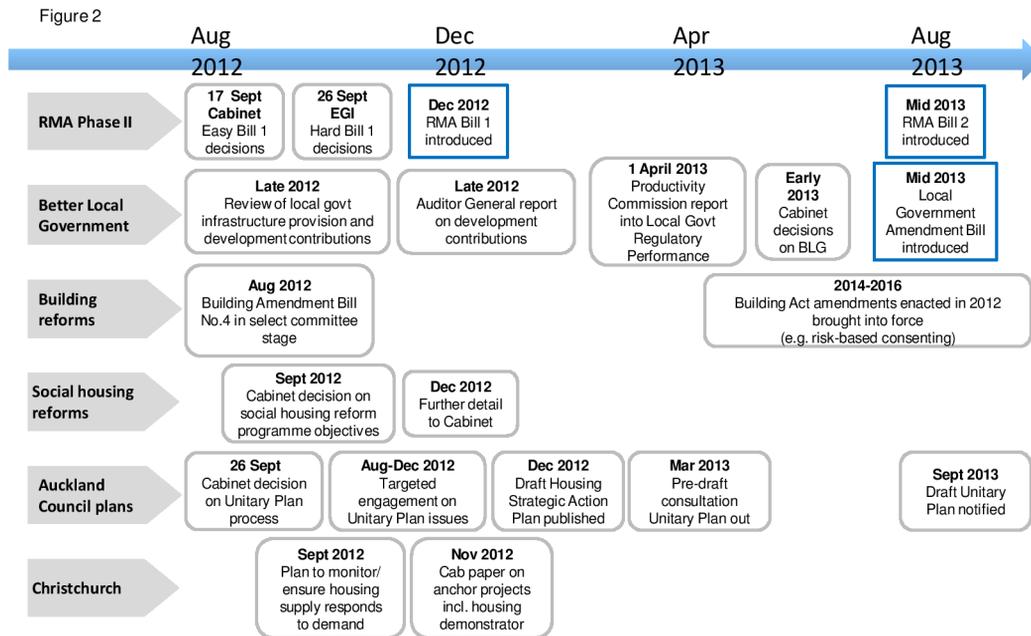
	Key issues	Examples of Impact		
		Timing	Cost	
Land use regulation and planning	PLAN CHANGES	<ul style="list-style-type: none"> Constraints, delays and uncertainty on releasing land create scarcity and high prices due to: <ul style="list-style-type: none"> Plan changes taking too long to become operative 'Permitted activity' base is too restrictive, resulting in a myriad of trade-offs and conditions 	<ul style="list-style-type: none"> 16 months on average in 2010/11, but 10 years estimate for Auckland Unitary and 7 years for Hobsonville DBH estimate 2.25 yrs for medium-large projects 	<ul style="list-style-type: none"> Some developers have estimated holding costs up to \$1000/day Land prices 2km within the Auckland MUL are eight times higher than 2km outside MUL
	SUBDIVISION CONSENT	Subdivision consents costly and time consuming with uneven requirements between territorial authorities. Time limits extended for 15% of consents (s37 of RMA).	RMA specifies 20-40 days non-notified (96% of consents) and 85 days notified (4% of consents). Actual times 9 to 1000 days (average 9 months for notified consents).	<ul style="list-style-type: none"> 2008 survey suggests consent costs range from \$2k to \$60k per lot (median \$16k) Holding costs are an additional \$3k on average
	LAND USE CONSENT	Resource consent required for approximately 10% of houses. Unclear extent to which designs are changed to avoid consent. Some evidence of plans limiting full utilisation of housing.	Generally non-notified so 20 to 40 working days.	Typically \$500-\$2500 per application
Infrastructure provision	ACCOUNTABILITY	Councils have a monopoly on decision making with little accountability due to: <ul style="list-style-type: none"> Environment court appeals out of reach of all but largest applicants (1% of consents appealed) Developers reluctant to challenge some council decisions because a long-term relationship is essential 	Exact impact unclear, but anecdotal evidence of significant delays being imposed by council conditions on resource consents.	Exact impact unclear. Anecdotal evidence suggests that some unnecessary costs are passed on to consumers through section prices.
	COUNCILS	Councils have a monopoly on subdivision infrastructure decisions, including where development occurs and relevant specifications.	Council decisions need to be made 2-5 years ahead of development occurring.	Concerns that councils are incurring excessive debt and/or not adequately providing for infrastructure.
	DCs	Development contribution (DC) practices lack consistency, transparency and accountability. No low cost appeal mechanism available.	Infrastructure can take 1-6 months to construct depending on size of development.	\$0k to \$28k per lot (average \$14k). Evidence that 100% of DCs are passed on to consumers.
Building Consenting	RISK	Allocation of liability between BCAs, builders, designers causes risk averse behaviour. BCAs often have deepest pockets under joint and several liability rule.	<ul style="list-style-type: none"> Delays as a result of BCAs attempting to minimise risk e.g. requiring specialist consultants reports, increased inspections; Statutory timeframes of 20 working days. 	Delay costs \$1000 per week for small builders and \$1600 per week for large builders. Building consents typically cost \$1000 to \$4500 for new houses. Average \$3500 or 2% of construction costs.
	BCAs	Inconsistent decision making across BCAs. Diseconomies of scale make it difficult to improve productivity and expertise.		
Building & Construction	MATERIALS	High cost of building materials (materials make up circa 50% of total construction cost). Little innovation.	Typical 4 bedroom house takes around 4 months to construct.	Evidence that materials cost for NZ house 30% greater than Australia.
	PRODUCTIVITY	Low productivity and fragmentation in construction industry due to few scale developments, bespoke houses, and vulnerability to boom/bust cycles.	In 2010: <ul style="list-style-type: none"> 4600 firms built one house; 30 firms built more than 30 houses. 	Cost per m ² is 8% cheaper for medium-sized firms (building 8-30 houses per year) than one-off designs by small firms.

28 The Government has recently made changes to improve the framework within which the housing market operates. These include:

- changes in 2009 to the RMA to streamline some aspects of the planning and consent process and reduce the potential for frivolous or vexatious appeals;

- reforms to the Building Act to clarify accountabilities for carrying out building work, to increase protection for consumers and to introduce MultiProof (also known as a National Multiple-Use Approval) to make it easier for volume builders to demonstrate Building Code compliance;
- the use of powers under the Canterbury Earthquake Recovery Act 2011 to speed up planning for housing to address post-earthquake supply issues;
- advancing housing developments on Crown-owned land in Christchurch, Tamaki, and Hobsonville; and
- asking the Productivity Commission to identify opportunities to improve regulatory performance in local government, with a final report due by 1 April 2013.

29 Further reforms to the RMA, LGA and Building Act are already underway. These provide an opportunity to coordinate the range of changes required to improve housing affordability. In addition to these workstreams, considerable work is underway in Auckland and Christchurch. Timing and key milestones for these work streams is summarised in Figure 2 below.



Auckland

30 Approximately 400,000 units of housing will be needed to meet projected population growth in Auckland by 2040.⁴ This is an average of over 13,000 units every year, yet in the year to 31 July 2012 only 4,260 new units were approved.⁵ Land price pressures have been particularly acute in Auckland, compared to the rest of New Zealand.

31 Auckland Council's plans are consistent with the Commission's findings. The Council has taken significant steps to recognise the importance of housing affordability through the Auckland Plan and is developing a Housing Strategic Action Plan. Its strategy

⁴ Auckland Council, 'The Auckland Plan' (2012).

⁵ Statistics New Zealand, 'Building Consents Issued: July 2012' (2012)

incorporates actions around land release, land supply monitoring, more permissive policies and rules for development and a mix between greater density and more greenfields development. However, given the long and difficult process involved in implementing these objectives through the Auckland Unitary Plan, there is a risk that the vision may not be realised. The test of effectiveness will be whether real market opportunities are presented.

- 32 There have been steps towards more effective engagement between Auckland Council and central government with the development of the Auckland Plan and more recently the Government's consideration of options to streamline the Unitary Plan process (a significant housing supply initiative). Central government continuing to work alongside Auckland Council to facilitate delivery of the Unitary Plan is critical. Promulgating a National Policy Statement or making changes to the RMA to provide legislative objectives would permit greater central government direction and are likely to support the overall direction of the Auckland Council. These national instruments are discussed more fully in the policy options section below.
- 33 The Government's response to the Productivity Commission will provide the Auckland Council with a clear steer on the Government's housing affordability strategy. In addition, this paper highlights tools that we have available to manage any risk of the final Auckland Unitary Plan undermining our housing affordability objectives by being overly restrictive.

Canterbury

- 34 Rents and house prices in Canterbury are trending upwards at a faster rate than the national average, although are highly variable within and between suburbs. The market is expected to come under further pressure in the short-to-medium term from incoming construction and other workers, green zone households temporarily vacating their homes while repairs are carried out, and the continued relocation of red zone households. The Productivity Commission did not address housing affordability in Canterbury in any detail, though many of the issues it identified are likely to be relevant there, as well as other factors that are unique to the post-earthquake situation.
- 35 The Christchurch Central Recovery Plan identified residential (re)development as one of the three highest priorities for the central city and recognised that a range of housing types will be needed to assure diversity and to match existing, and anticipated demand. Following approval of the Plan, work is underway to establish a platform for advancing housing development in the inner city. Decisions are also due to be made shortly which aim to give HNZN more flexibility to meet housing need in the lower quartile of the market in Canterbury, using repaired stock and new builds.
- 36 In addition, CERA and Treasury have recently commissioned analysis to identify the critical issues that influence the responsiveness of housing supply to demand and there are other projects underway with a focus on affordability issues in different sub-markets. It is expected that this analysis will lead to further advice for Ministers. This should be prepared alongside wider affordability policy work to assess the extent to which Canterbury can learn from the wider analysis and vice versa. For example, the piloting of risk-based consenting for large-scale builders in Canterbury is likely to be of national interest.

The proposed Government response

- 37 After carefully considering the issues the Commission raised, the Government accepts almost all of the Commission's recommendations and agrees with their central

assessment that issues across the housing supply chain will need to be tackled in order to improve housing affordability. The Commission's key findings and the Government's policy responses are summarised in Appendix B. A draft public statement and a brief public response to each of the Commission's recommendations are set out in Appendices C and D.

- 38 For some issues, the Commission indicated the broad direction for change rather than putting forward specific policy ideas. For example it made recommendations that either central or local government should review, consider, monitor or develop a strategy in a particular area. The proposals specified below will take forward in a concrete way the direction set out in the Commission's report to deliver a significant improvement in housing affordability.
- 39 In developing the Government's response, we have come to a different assessment from the Commission on some areas. In particular, we think influencing the behaviour of councils and changing the incentives that affect them will be critical to improving housing affordability. Councils play a critical role in the supply chain and face considerable pressure from their communities to keep rates rises to a minimum while demanding an increasing level of services in terms of infrastructure and public amenities. The planning process has wide participation rights, but in other areas councils effectively have a monopoly on decision making and there is evidence that there is no accessible way to appeal council decisions e.g. decisions relating to infrastructure and consenting.⁶
- 40 The Government would like to achieve greater transparency and accountability in decisions on who bears the infrastructure related costs of growth so that the truly marginal costs of growth are appropriately borne and developments are not unnecessarily delayed by restrictive planning processes or unnecessarily high infrastructure costs. A further objective is to check councils' monopoly power by exploring how greater contestability could be introduced in infrastructure provision and consenting processes.
- 41 Given the scale of the housing affordability issue, I believe it is essential to:
- identify practical policy changes to give effect to the Commission's directions on increased land supply;
 - make progress across a wider range of policy areas – from increasing land supply, removing obstacles to more intensive housing, and improving the effectiveness of central government housing support;
 - work closely with local councils given their critical role in planning and land use decisions – and identify barriers to more effective decision-making at a local level that give priority to more affordable housing; and
 - provide stronger central direction to local councils on barriers to more affordable housing.

Options discussion

- 42 We propose a comprehensive work programme to act on the Commission's recommendations and to make some additional changes that will drive improvements to housing affordability over the medium term.

⁶ Stakeholders have advised officials that the environment court is an expensive and time consuming process where the costs often outweigh the benefits of appeal.

43 Making a significant difference to housing affordability will not happen without taking some hard choices. Officials have identified a wide range of potential initiatives to address New Zealand's housing affordability problems, set out in Figure 3 below. Some of these initiatives are within existing reform programmes (resource management reform, local government reform), and some are new ideas that I consider should be progressed as soon as possible. Officials' preliminary analysis of the initiatives is contained in Appendix A.

44 Resource management reform is critical to improving housing affordability. I believe the Government needs to provide greater central direction to councils to promote increased forward land supply, a broader range of permitted activities, and increased national consistency in planning documents. Options for giving greater central direction to RMA plans fall into two broad categories:

- Existing mechanisms in the RMA (such as National Policy Statements and National Environmental Standards – see Appendix E); or
- Legislative change that directs councils to:
 - achieve particular outcomes (e.g. increased forward supply of land);
 - 'hardwire' specific policies or rules into plans (e.g. broaden the permitted activity base/reduce barriers to housing development).

45 These options are likely to have varying impacts on housing affordability and local autonomy, different timeframes, and different information requirements to inform central government's direction

[Withheld under s9(2)(f)(iv)]



46 The table below outlines a comprehensive work programme that I consider will give effect to the direction set by the Commission and make a significant difference to housing affordability:

Initiative	Current Status/timing	Action
Land supply restrictions		
Explore options to streamline Auckland Unitary Plan process.	Under discussion with Auckland Council – to be implemented via RMA reform Bill 2012.	Explore with Auckland Council and refer to in Government response.
Explore options for providing Local Government with greater central direction on central Government's housing affordability objectives to promote increased forward land supply, consistency in planning documents, and a broader range of permitted activities.	Being considered as part of resource management reforms (RMII) – policy decisions to be sought as part of the 2013 reforms.	Agree to commence detailed scoping work and announce in housing response.
Explore changes to Part Two of the RMA to better support urban planning and decision making.	Ss 6 & 7 under specific review in RMII - policy decisions to be sought in 2013.	Leave decisions to 2013 but confirm intention to explore changes to Part Two to support better urban planning and decision making in Government response.
Undertake a detailed analysis of demand and supply in the Auckland housing market to establish the current level of excess demand and the forward supply necessary to significantly improve housing affordability in Auckland;	New initiative. Report back in 2013.	Agree to undertake this analysis study and announce as part of Government response.
Paying for infrastructure provision		
Review the transparency, accountabilities and timing of residential subdivision infrastructure provision, including potential alternatives to the current system of development contributions, such as clearer guidance, capping or removal.	Being considered in Better Local Government with report back in late 2012.	Refer to in Government response with report back in 2013 as part of Better Local Government programme.
Explore alternative methods of providing residential subdivision infrastructure, such as allowing for private provision and ownership	New initiative. Incorporate in Better Local Government programme.	Refer to in Government response with report back in 2013 as part of Better Local Government programme.
Productivity in construction sector		
Explore the consolidation of Building Consent Authorities into regional hubs (or a single national hub) to achieve a critical mass of expertise, consistency in the issuing of building consents, and productivity improvements through dynamic efficiency gains.	Work underway as part of ongoing Building Act reforms, but no specific reporting timeline.	Refer to in Government response with report back in 2013 as part of ongoing Building Act reforms.
Evaluate the Productivity Partnership's progress in achieving a 20% lift in productivity by 2020.	New initiative.	Refer to in Government response with report back in 2013.
Explore opportunities to support industry scale and productivity through the Government's social housing programme.	New initiative. Incorporate in Social Housing Reform programme.	Refer to in Government response with report back in 2013 as part of Social Housing Reform programme

Invite the Law Commission to expedite its review of the joint and several liability rule.	Terms of reference published 30 May 2012 and work underway but report date uncertain.	Refer to in Government response and invite the Minister of Justice to direct the Law Commission to consider the incentives faced by regulators as part of its review of the application of the joint and several liability rule, and report back by June 2013.
Conduct a market-level inquiry into the construction sector to identify market-level barriers to improved housing affordability.	New initiative.	Refer to in Government response with MBIE/Treasury to report back in 2013.
Costs and delays in regulatory process		
Explore options for a robust Local Government performance monitoring regime.	Being considered as part of the Better Local Government programme.	Refer to in Government response with report back in 2013.
Introduce a requirement for a single plan per district.	Publicly committed to under RMII – detailed policy decisions to be sought in 2013.	Confirm intentions in Government response with report back in 2013 as part of RMII.
Introduce a six-month time limit for council decisions on medium-sized (notified) resource consents.	Publicly committed to under RMII – to be implemented via RMA reform Bill 2012.	Confirm commitment in Government response.
Explore the establishment of a competitor agency for resource consents/ plan changes.	New initiative. Incorporate in RMII.	Refer to in Government response with report back in 2013 as part of RMII.
Explore options to provide a low cost legal challenge for council decisions affecting housing.	New initiative. Incorporate in RMII.	Refer to in Government response with report back in 2013 as part of RMII.

- 47 Implementing this package of reforms will lower the cost of building high-quality new housing in the medium-term, with flow-on effects to the rest of the housing market, and would help to mitigate the negative impacts of the next housing market cycle. This package would also give the Auckland Council a clear steer on the Government's expectations for their Unitary Plan. The scale of the housing affordability problem suggests that this level of response is required.
- 48 The success of some of these ideas will depend heavily on effective implementation and central government does not have all of the levers to be able to ensure this. For this reason, Cabinet may want to consider further policy change depending on the outcomes of reforms currently in train, including the Auckland Unitary Plan, the Better Local Government programme and the Productivity Commission inquiry into local government's regulatory performance. In particular, I consider that we should send a strong signal that we will consider implementing the following initiatives should councils not make adequate progress on housing affordability:

Initiative	Current Status/timing	Action
Land supply restrictions		
Undertake detailed scoping work on options to override district plan provisions should councils fail to improve their decision-making and planning practices to support housing affordability.	New initiative. Incorporate in RMII	Refer to in Government response with report back in 2013 as part of RMII.

- 49 We will need to consider carefully the sequencing of this in order to set the right incentives for local decision-making, particularly for Auckland. National instruments must be prepared in accordance with Part Two of the RMA

[Withheld under s9(2)(f)(iv)]

Given the strong commitment to reform made in the Auckland Plan, it may be most beneficial to wait and see the outcome of the Unitary Plan and reserve the ability to use a National Environmental Standard to plug any outstanding gaps. A commitment to explore a National Policy Statement or legislative objectives could set a very clear direction of travel.

Issues and Risks

- 50 A key challenge is that most of the levers on the supply side are outside of direct central government control. Implementation of legislative frameworks by councils will be critical to achieving our objectives. It is essential that we work with councils on the proposed initiatives to incorporate their views and gain their support.
- 51 Central government also has an important role related to social infrastructure. I have asked the Ministers of Transport and Education to consider how their departments and agencies could work more proactively with councils to signal where new infrastructure will be located in the future to assist in planning for growth.
- 52 Increasing the supply of land for housing is going to require developing brownfields land and intensifying existing urban areas as well as greenfields development. There are trade-offs between the two types of development that will need to be considered and messaging around the response will need to manage the risk of criticism that our response is encouraging unchecked urban sprawl, or inappropriate densification. Developing existing areas more intensively may economise on infrastructure costs and lower environmental costs, but there is mixed evidence about the desirability of intensive brownfields developments to consumers.
- 53 Developers have a crucial role to play in bringing new land to market. There is a risk that land banking activity could work against our attempts to make housing supply more responsive. This has been raised as a potential issue in Canterbury. Ensuring there is sufficient supply of land to promote competition between developers will be essential to managing this risk.
- 54 Much of the supply in the lower end of the market comprises depreciated, older housing. This is particularly true for rental housing which tends to be older and lower quality. While house prices have increased faster than rental prices over the 2000s, rental prices have increased more rapidly in some metropolitan areas as a result of supply pressures. More responsive housing supply and more affordable house prices will ultimately be reflected in the affordability of the rental market.

Next steps

- 55 The proposed response to the Productivity Commission is in the form of a short statement from the responsible Minister for the inquiry, and a brief response to each of the 35 recommendations made by the Commission. The statement is attached as Appendix C and the response to each recommendation is attached as Appendix D.
- 56 Embedding the immediate actions to improve housing affordability and undertaking detailed policy work on the additional measures agreed by Ministers will require a substantial effort by officials, in consultation with the local government sector and other stakeholders, over the next 6-9 months. It is proposed that this work be led jointly by Treasury and the Ministry for Business, Innovation and Employment, in consultation with the Ministry for the Environment and the Department of Internal Affairs. The work would be overseen by the Ministers of Finance and Economic Development.

Measuring progress

- 57 The Productivity Commission concluded that there is no perfect measure of housing affordability, although it suggested a broad definition e.g. influenced by the costs of accessibility and considered in terms of lifecycle costs. Previous work by officials supports this assessment.⁷ At its simplest, housing affordability is a function of income, house prices, and the day-to-day costs of home ownership or rent.
- 58 To give confidence that changes are improving housing affordability over time, and to inform further policy development as necessary, success will be measured by:
- a higher per capita building rate (as measured by building consents issued);
 - lower median house price to income ratio and lower median rent to income ratio; and
 - a lower proportion of households spending more than 30% of household income on housing costs.
- 59 These measures are simple, easy to communicate, tractable and allow for international comparison. Importantly, the median house price (or rent) to income ratio includes a measure of the price of houses as well as an indicator of their affordability. However, this does not take into account interest rates, nor show distributional effects. For these reasons, we should also measure the proportion of households spending more than 30% of household income on housing costs. This is the common international benchmark for “housing stress” and covers both renters and owners. The number of building consents issued is an important lead indicator of trends in the housing market.

Consultation

- 60 This paper was prepared by The Treasury. The Ministries for Business, Innovation and Employment, Environment, Education, Transport, Social Development, Maori Development and Justice, together with the Departments of Internal Affairs and Inland Revenue, Housing New Zealand Corporation and the Canterbury Earthquake Recovery Authority have been consulted and their views are reflected in this paper. The Department of the Prime Minister and Cabinet has been informed.

⁷ Robinson, M., Scobie, G. & Hallinan, B., ‘Affordability of Housing: Concepts, Measurement and Evidence’, New Zealand Treasury Working Paper 06/03 (2006).

Financial Implications

61 There are no immediate fiscal implications arising from this paper.

Human Rights

62 There are no human rights implications arising from this paper.

Legislative Implications

63 There are no immediate legislative implications arising from the paper.

Regulatory Impact Analysis

64 A Regulatory Impact Statement (RIS) is not required. Regulatory changes outlined in this paper have or will be considered as part of other regulatory work programmes.

Gender Implications

65 There are no gender implications arising from this paper.

Disability Perspective

66 There are no disability implications arising from this paper.

Publicity

67 It is proposed that the Minister of Finance, Minister for Economic Development and Minister for the Environment approve the content of the Government statement responding to the Productivity Commission's report.

Appendix A: Detailed analysis of policy options

Option	Potential impact	Impact Timing	Pros/cons and key trade-offs
Stage 1 - Land supply and planning			
<i>Greater central government direction / reducing complexity in the planning system</i>			
Change Part Two (specifically Sections 6 & 7) of the RMA to: <ul style="list-style-type: none"> • introduce principles relating to the built environment/urban development into current section 6; OR • introduce principles relating to the built environment/urban development AND collapse the hierarchy between s6 (mostly environmental “matters of national importance”) and s7 (economic, social, cultural matters) • explore other changes to Part Two that would better enable positive plan outcomes and improve the strategic integration and delivery of land use, infrastructure, and services to ensure that housing supply can be provided in the right areas at the right time. 	Medium (in longer term)	2-3 years from enactment	[Withheld under s9(2)(f)(iv)]
Develop a National Policy Statement (NPS) on the urban environment.	Medium	1-3 years	
Develop a region-specific National Environmental Standards (NES) on planning for housing (underpinned by changes to Part Two above).	High	1-3 years	

[Withheld under s9(2)(f)(iv)]

				[Withheld under s9(2)(f)(iv)]
	Direct officials to further explore options to hardwire changes (via legislation) into local plans e.g. minimum yard distances, maximum site coverage.	Medium	Immediate from enactment	[Withheld under s9(2)(f)(iv)]
	Reverse burden of proof for operative zoning by requiring plans to specify where development <u>cannot occur</u> , as opposed to where it can.	Medium	Immediate from enactment	[Withheld under s9(2)(f)(iv)]
	Introduce a legislated presumed right to build housing: <ul style="list-style-type: none">• within certain parameters on land zoned residential; and/or• within all urban land, including commercial and industrial.	High	Immediate from enactment	[Withheld under s9(2)(f)(iv)]

<i>Transactional efficiency - reducing costs, delays, and uncertainty</i>			
Streamline the process for the first Auckland Unitary Plan (subject to Cabinet decisions)	High	Immediate from plan operation date (2015)	<i>[Withheld under s9(2)(f)(iv)]</i>
Require a single plan per district	Medium	1-2 years from enactment	
Introduce a six-month time limit for council decisions on medium-sized (notified) resource consents	Medium	Immediate impact from enactment	
Introduce one resource consent for major developments.	Medium/Low	Immediate from enactment	
Remove s76(4)e from the RMA that allows council to require a consent for effects not covered by an operative council plan.	Low	Immediate from enactment	
Where there is contestability in consenting, allow applicant to switch consenting authority mid-stream.	Low	Immediate from establishment	
<i>Incentivising better decision making</i>			
<p>Introduce local government performance monitoring, possibly including:</p> <ul style="list-style-type: none"> Public release of benchmarking information on council costs and performance against statutory timeframes (already occurs in relation to RMA consent timing) Benchmarking of residential land available for development 	Medium/Low (depending on design)	1-3 years from establishment of framework	<p>Increases transparency around council performance and could establish a culture of performance improvement and facilitate transfer of best practice between councils.</p> <p>Potential to link performance to some form of 'intervention framework' to incentivise improvement.</p> <p>Impact dependent on degree of buy-in from local government sector. Extensive engagement with sector likely to increase buy-in.</p> <p>Benchmarking agency will need to be determined and resourced.</p>

<ul style="list-style-type: none"> Benchmarking of infrastructure provision and funding forecasts (could involve extension of existing OAG role) <p>Benchmarking could be either regime-specific or incorporated into a broader performance framework for Local Government.</p>			
<p>Establish a 'competitor' agency for resource consents/plan changes on housing developments e.g. all housing developments with greater than 10 housing units called in to EPA/Urban Development Authority.</p>	Medium	Immediate from establishment	[Withheld under s9(2)(f)(iv)]
<p>Continue to work with the Auckland Council to identify and release land for residential development.</p>	Medium	2 years +	Auckland Council has already committed to increase the supply of land for residential development and improve the supply of affordable housing. Continuing dialogue with the Council on land supply issues and social housing will help ensure that central and local government initiatives are mutually supporting.
Stage 2 – Provision and funding of infrastructure			
<p>Fundamentally review the timing, coordination and financing of infrastructure, including potential alternatives to the current system such as:</p> <ol style="list-style-type: none"> 1) Removing or capping development contributions; or 2) Directing officials to develop guidelines for development contribution charges; and/or 3) Providing access to low cost-legal challenge for developers; and/or 4) Giving developers the option to provide infrastructure; and/or 5) Mandating an independent body to develop guidelines and hear appeals on development and reserve contributions. 	High	6-12 months	<p>Removal/capping would provide greater certainty for developers, and reduce marginal costs of new housing materially, but can be an important revenue stream for councils. Council infrastructure costs (or those in excess of cap) would be recovered from council rates. Could lead to efficiency costs if investment is skewed towards areas with higher marginal infrastructure costs. Councils may also have a disincentive to rezone if they cannot recover infrastructure costs through development contributions.</p> <p>A low cost legal challenge and guidelines could improve the quality of infrastructure charges significantly.</p> <p>An independent body could improve the economic efficiency of decision making on development and reserve contributions, but benefits would need to exceed the non-trivial operating costs of the chosen body. Applicant charges could be used to recover costs.</p> <p>This work could potentially have significant funding implications for the way local government funds transport infrastructure. The Ministry for Transport should be involved in this work to ensure that the</p>

			implications for transport infrastructure are fully considered alongside any housing affordability impacts.
As part of further work investigating the management of road demand, explore the possibility of returning a portion of road price charges to councils based on the number of houses built over a chosen benchmark (or to support other Government objectives).	Medium	2-3 years	Provides a strong incentive on councils to consent additional housing. Would need to be considered alongside wider transport policies to avoid negative externalities. Property price impacts of congestion charging likely to vary across different areas of the city. Overall distributional impact on Auckland city property prices is unclear at this stage.
Stage 3 – Construction			
Direct MBIE to conduct a market-level inquiry into the construction sector to identify market-level barriers to improved housing affordability.	Medium	1-2 years	May identify competition, innovation, or productivity issues affecting housing affordability, but outcomes unclear at this stage. Changes likely to take time to implement.
Explore opportunities to support industry scale and productivity through social housing reform.	Medium	1-2 years	Dependent on progress on social housing reform. Outcomes unclear at this stage.
Evaluate the progress of the Productivity Partnership by the end of 2012.	Medium/ Low	6-12 months	Industry led process. Outcomes unclear at this stage.
Direct MBIE to consider ways to encourage cheaper building materials which meet high standards in other jurisdictions (such as the EU) to be used in New Zealand.	Low	NA	There don't appear to be any regulatory barriers to the introduction of new building materials under the New Zealand's performance based regulatory frameworks. Transport costs and risk averse behaviour from Building Consent Authorities appear to be the major barriers to innovations in this area.
Stage 4 – Building consenting			
Explore the consolidation of Building Consent Authorities (BCAs) into regional hubs, or a single national hub; OR Introduce performance monitoring/ greater transparency.	Medium	2-3 years	Proposals are being developed to improve the efficiency and national consistency of the administration of the building regulatory system, which include consideration of whether there should be greater consolidation of consenting between local authorities, and/or centralisation of some elements of the building consent function. Consolidation will take time to implement, and may make it more difficult to align resource and building consents. A national on-line consenting system, also proposed for development, is expected to produce significant savings, and to greatly improve the ability to monitor BCA performance. Performance monitoring increases transparency and around performance. May require some form of penalty to provide sufficient incentives (e.g. discounts on consent costs as per RMA).
Invite the Minister of Justice to write to the Law Commission directing them to consider the impact on the incentives faced by regulators as part of their review of the application of the joint and several liability rule, and report back by June 2013.	Medium/ Low	9-12 months	The joint and several liability rule is a major driver of incentives on councils to impose costs and delays. Law Commission has expressed willingness to consider this, but timetable for Law Commission review is unclear. Likely to be some time before changes are implemented.

Appendix B: Summary of the Commission’s key findings and the Government’s response

Area	The Commission’s key findings	Government’s response
Taxation	<ul style="list-style-type: none"> • Taxation affects the attractiveness of investing in housing and its affordability, although the impacts are difficult to quantify. • Overall, does not see a case for changing the taxation of housing. • A capital gains tax would need to be approached as a principled economy-wide issue. • The effects of the recent removal of the allowance for building depreciation should be monitored. 	<ul style="list-style-type: none"> • Agree that tax settings increase the level of demand for housing. The Government has already taken steps in the 2010 Budget to remove much of the tax advantage for investment in rental housing. There are some remaining issues, including the absence of tax on income from owner-occupied housing and the exclusion of housing (and other assets) from the capital gains tax base. Agree that these are complex issues that require consideration as part of an overall approach to taxation. • Consider the current policy of no depreciation deductions for buildings is the correct policy. Agree that officials monitor the effects of the recent removal of the allowance for building depreciation.
Urban planning	<ul style="list-style-type: none"> • An adequate supply of land matters for affordability. • Significant tracts of greenfield and brownfield land should be bought to the market in Auckland. • Councils should increase the availability of both greenfields and brownfields land and reduce restrictions to infill development. • Councils should take a less constrained approach to the identification, consenting, release and development of land for housing in the inner city, suburbs, and city edge. • Councils should review regulatory processes with the aim of providing simplified, speedier and less costly consenting processes and formalities. • Government should consider the case for a review of planning legislation. 	<ul style="list-style-type: none"> • Agree with the overall appraisal that councils need to take a more active role in growth management, including increasing land supply for housing. Reforms to the RMA provide an important opportunity to deliver long-term improvements to the planning system and to planning practice. The Government will therefore: <ul style="list-style-type: none"> ○ Streamline the process for the first Auckland Unitary Plan; [Withheld under s9(2)(f)(iv)] ○ Commence detailed scoping work on the following options for providing greater central direction to promote increased forward land supply, consistency in planning documents, and a broader range of permitted activities via: <ul style="list-style-type: none"> ▪ A National Policy Statement; and/or ▪ Changes to the Resource Management Act 1991. • To ensure councils have adequate incentive to improve their decision-making and planning practices to support housing affordability, the government will undertake detailed scoping of the following options that would override district plan provisions: <ul style="list-style-type: none"> ○ National Environmental Standard on planning for housing; and/or ○ Changes to the Resource Management Act to provide for a presumed right to build housing within certain parameters. • Support Auckland Council’s proposed reviews of policy and regulatory tools and plans to explore the concept of an Urban Development Agency to aggregate land. • Agree with the need to maximise alignment across the planning statutes (RMA, LGA, Land Transport Management Act) and is seeking to do this through review processes currently underway. Achieving this alignment was also a major driver behind the requirement for an

		<p>Auckland Plan. However, there is a limit to how far these statutes can feasibly be integrated, due to their necessarily different legal purposes.</p> <ul style="list-style-type: none"> • Will explore access to low-cost legal challenge for council decisions on housing.
Infrastructure	<ul style="list-style-type: none"> • Properly structured and administered infrastructure charges signal to developers the incremental costs of building infrastructure, allowing them to factor these costs into decisions about when and where to build housing. • Government should strengthen compliance, transparency and accountability of councils and seek a better dispute resolution process. • In principle the case for development contributions is strong, but they are often opaque and seen as revenue-gathering. 	<ul style="list-style-type: none"> • Agree that current development contribution practices may be impeding investment and adding to the problems of housing affordability and agree to undertake a fundamental review of the timing, coordination and financing of infrastructure. • Agree that transparency and accountability for councils' decisions on infrastructure provision and development contributions should be strengthened to ensure that: (i) the truly marginal costs of growth are appropriately borne; and (ii) developments are not unnecessarily delayed by restrictive planning processes or high infrastructure costs. Success will be dependent on influencing council behaviour and/or changing the incentives on them. The government will therefore explore alternative methods of infrastructure provision, such as allowing for private provision and ownership of housing related infrastructure.
Building regulations	<p>Councils should:</p> <ul style="list-style-type: none"> • review regulatory processes to speed up, simplify and reduce costs; and • achieve greater scale and better technology use in the building consent process. <p>Government should:</p> <ul style="list-style-type: none"> • give urgency to the programme to lift the performance of Building Consent Authorities (BCAs); • review the RIS processes for Building Code changes; and • clarify pathways by which innovation becomes mainstream practice. 	<ul style="list-style-type: none"> • Agree that the costs and delays imposed by BCAs contribute to higher house prices. • Agree to invite the Law Commission to give urgency to their review of joint and several liability rules. Reforms to the Building Act 2004 also aim to reallocate liability for some parties to building work in the longer term. • Propose to lift the performance of BCAs by exploring the consolidation the current 69 different entities into regional hubs (or a single national hub). This would enable a critical mass of expertise, consistency in the issuing of building consents, and productivity improvements through dynamic efficiency gains. A national on-line consenting system, also proposed for development, is expected to produce significant savings and to greatly improve the ability to monitor BCA performance.
The building industry	<ul style="list-style-type: none"> • The performance of the building and construction industry plays an important role in the supply, quality and cost of new housing. • The Productivity Partnership is the appropriate entity to develop practical proposals to address industry productivity issues. 	<ul style="list-style-type: none"> • Agree that productivity growth in the building industry is a priority and that the Productivity Partnership (an industry-government partnership) is a good mechanism to drive change. To ensure that it is the best vehicle, with the most effective tools, we will evaluate the Partnership's progress by the end of 2012.
The private rental market	<ul style="list-style-type: none"> • Housing affordability is a significant issue for lower income households in the private rental market. • Government should review options to regulate for quality and align with initiatives to support growth of the community sector. • Home ownership assistance programmes are ineffectual and should be reviewed. 	<ul style="list-style-type: none"> • Acknowledge that the rental sector is an important part of the overall housing market, but consider that adjustments to the overall market will have a positive effect on the rental market over time. To buttress changes to market fundamentals, the Social Housing Reform Programme will focus on better supporting those who have the greatest needs. • The Social Housing Reform Programme will include developing an appropriate regulatory framework to support the growth of the third sector, appropriate quality assurance and other

		<p>requirements.</p> <ul style="list-style-type: none"> • Agree to review home ownership assistance programmes against criteria including clarity of objectives, effective targeting, flexibility and cost effectiveness.
Social housing	<ul style="list-style-type: none"> • There appears to be a misalignment of policy goals; the current approach is unsuited to the multiple needs of tenants. • The Social Housing Unit is underfunded given expectations and the community sector is unequal to the task. • The way the Accommodation Supplement abates is hindering the role of community organisations in improving affordability for their clients. 	<ul style="list-style-type: none"> • Agree that we need to get better outcomes from housing assistance programmes and state housing and will take decisions on next steps in Social Housing Reform Programme in parallel with wider housing affordability work, to address access to affordable housing where it is most needed and to better target housing assistance. • Budget 2012 allocated funding of \$104.1 million to support the growth of non-government housing providers over the next three years, to be provided through the Social Housing Unit. • Agree that growing the community housing sector will require efficient and well-targeted financial assistance for housing and will be considering the future funding structure as part of phase two of the Social Housing Reform Programme.
Māori housing	<ul style="list-style-type: none"> • Housing needs can be more pronounced for many Māori and that housing solutions will sometimes need to be different, particularly in areas of traditional settlement. • Financial literacy education is an important part of any solution. • Whānau Ora is the most appropriate part of government for progressing Māori housing aspirations. 	<ul style="list-style-type: none"> • Acknowledge that Māori as a group experience disproportionately poorer housing circumstances compared with the rest of the population and that the affordability and sustainability of rural housing poses a particular challenge. The more efficient and effective outcomes that can be achieved from the Crown's investment in social housing, the better housing outcomes are likely to be for Māori. • Soon to be announced changes to the Kāinga Whenua mortgage insurance scheme will improve access to finance for those wishing to build on Māori land, and allow loans to be used for home improvements or repairs. Changes to the Pūtea Taiwhenua (Rural Fund) have also been recommended and these are currently being considered by Ministers. • Agree that centralising the advice and operational expertise required to build on Māori land would have benefits for all parties and acknowledge that Whānau Ora could play an important role here.

Appendix E: Further details on NPS and NES

	National Policy Statements (NPS)	National Environmental Standards (NES)
Scope & Content	<p>States objectives and policies for ‘matters of national significance’</p> <p>Content must be consistent with Part Two (purpose and principles) of the RMA</p>	<p>Can prescribe standards, methods, or requirements for matters regulated under the Act, including subdivision/land use. Specifically, an NES can:</p> <ul style="list-style-type: none"> • ‘Permit’ an activity (i.e. - without resource consent) provided it does not have a significant adverse effect on the Environment • Prescribe the matters over which Councils will reserve control or discretion for activities that do require consent • Prescribe activities that will not require ‘notification’ for consent <p>Content must be consistent with Part Two (purpose and principles) of the RMA.</p>
Process & timing	<p>Pre-notification phase:</p> <ul style="list-style-type: none"> • Scoping/drafting NPS, Cost Benefit Analysis, and targeted consultation – e.g. iwi) • No fixed time, but <u>previous examples 6 – 18 months</u> <p>Notification/consultation phase:</p> <ul style="list-style-type: none"> • Board of Inquiry conducts public consultation + hearings in accordance with the Act – <u>typically around 15 months</u>; OR • Minister develops tailored process: reflects scale of change, expediency, and status of public debate - must allow for public submissions, but not necessarily hearing. • Consultation on draft Biodiversity NPS under the alternative process <u>took 4 months</u> although this has not been progressed further. <p>Finalising</p> <ul style="list-style-type: none"> • Minister considers changes, seeks Cabinet approval & gazettal (<u>typically 6 months</u>) <p>Generally, timeframes appear to reflect level of Government ambition, and the strength/homogeneity of public opinion on the particular issue</p>	<p>Significant discretion in process, but the Minister must:</p> <ul style="list-style-type: none"> • Notify the public/iwi authorities about subject matter • Give reasons why the NES is consistent with Part Two • Provide a process that gives “adequate time and opportunity” for public comment and • Disclose a report that summarises public feedback and makes recommendations <p>Recent example (Soil Contamination) took 2 years from consulting on the policy to the NES coming into force. This was based on three years previous work to define the problem, establish the appropriate central government policy response, and derive defensible soil standards to apply nationally.</p>
Statutory weight & impact	<p>Once gazetted, and if an NPS directs so, local authorities must (<u>without using</u> the formal Plan change process):</p> <ul style="list-style-type: none"> • Include the NPS objectives and policies in their plans; and/or • Amend their plans in such a way that <u>gives effect</u> to those objectives 	<p>Once promulgated, the provisions in an NES override applicable rules in a regional or district plan that are more lenient, and a rule can only be more stringent if the NES expressly allows it to be.</p> <p>Where conflict/duplication exists between an NES and a plan, local authorities must amend the plan <u>without using</u> the formal Plan change process.</p>
NB – no explicit ability for Councils to take account of draft NPS/NES before promulgated		