



# Valuing highly productive land

A discussion document on a proposed national policy statement  
for highly productive land

Ministry for Primary Industries  
Manatū Ahu Matua



Ministry for the  
**Environment**  
Manatū Mō Te Taiao





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## Acronyms used

LUC	Land Use Capability
NES	National Environmental Standards
NPS	National Policy Statement
NPSFM	National Policy Statement for Freshwater Management 2014
NPS-UD	Proposed National Policy Statement on Urban Development
NPS-UDC	National Policy Statement on Urban Development Capacity 2016
RMA	Resource Management Act 1991
RPS	Regional Policy Statement









# Foreword

**Our land is a precious taonga – an irreplaceable treasure and a source of life and wellness for our country. Our economy depends on our land, and our history and culture are tied to it.**

New Zealand's productive land is under threat and we have a duty to cherish and protect it for future generations. We have already lost a lot of this precious resource. What we give up today is lost forever. If healthy soil resources are lost, they are not renewable in a human lifetime, which is why we need to act with urgency.

This discussion document proposes a National Policy Statement as the most effective way to avert the loss of more of our productive land and promote its sustainable management. It proposes that councils will be required to consider the availability of highly productive land within their region or district for primary production now and for future generations.

The National Policy Statement also supports other important initiatives the Government is progressing, including in the areas of urban development and freshwater management.

Growing food in the volumes and quality we have come to expect depends both upon the availability of land and the quality of the soil. Highly productive soils bring significant economic benefits including employment for the communities that surround them, and collectively add significant value to New Zealand's primary sector.

Much consultation and consideration has gone into this discussion document. It builds on the *Our land 2018* report from the Ministry for the Environment and Statistics New Zealand. This report provided a comprehensive assessment of the impact human activity is having on our land.

*Our land 2018* confirmed that many highly productive land areas have already been lost. The report highlighted two key pressures facing highly productive land on the edge of towns and cities:

- Expansion of our cities and towns with houses and urban infrastructure to accommodate our growing population, and the accompanying loss of New Zealand's most versatile and productive land.
- Change of land-use on the fringes of urban areas, in particular the increase in lifestyle developments.

The recently released *Environment Aotearoa 2019* synthesis report supports this assessment.

We appreciate the input and expertise many organisations and individuals have already contributed to the development of this discussion document and proposed National Policy Statement. Now we encourage you to share your views. Continuing this inclusive approach will help us create effective, enduring solutions. All New Zealanders have a stake in the protection of our land and we want to hear from you.



**Hon David Parker**  
Minister for the Environment

A handwritten signature in blue ink, appearing to read 'David Parker'.



**Hon Damien O'Connor**  
Minister of Agriculture

A handwritten signature in blue ink, appearing to read 'Damien O'Connor'.

# Executive summary

**We are seeking feedback from interested organisations and individuals on the proposed National Policy Statement for Highly Productive Land, set out in this discussion document.**

The *Our land 2018*<sup>1</sup> and *Environment Aotearoa 2019*<sup>2</sup> reports, published by the Ministry for the Environment and Stats NZ, highlighted a number of issues facing our land and soils. This proposal addresses the urban expansion and fragmentation issues these reports found to be facing our most productive land. The *Our land 2018* and *Environment Aotearoa 2019* reports also highlighted a number of issues facing soil quality, which will be considered in 2020 as Phase 2 of this work programme.

## About highly productive land

This proposal focuses on land that is highly productive for primary production, which can be identified using the Land Use Capability (LUC) classification system and considering a number of other factors. The LUC system classifies land into eight classes. Land that has a Class 1 rating under the LUC system is the most versatile and has the fewest limitations for its use, while Class 8 is the least versatile with the highest number of limitations on its use.

There are other factors that can make land more or less productive that are not recognised under the LUC system, such as: the size of the property; water availability; and access to transport routes and appropriate labour markets.

Under this proposal, councils will need to identify highly productive land as land that is classified as Class 1, 2 or 3 under the LUC system by default, until they are able to complete their own regional or district assessment. When undertaking the assessment of highly productive land councils will be able to consider a number of other factors to exclude some of this land, or to identify additional highly productive land that is not recognised under the LUC system.

Further information about highly productive land is available under section 2.3. The policy definition of highly productive land is included under section 5.4.

## The problem we want to solve

The Resource Management Act 1991 (RMA) provides the regulatory framework to manage the use of land, soil, fresh water and the coastal marine area. The RMA's purpose is the sustainable management of natural and physical resources.

There is a lack of clarity on how highly productive land should be managed under the RMA. The value of this land for primary production is often given inadequate consideration, with more weight generally given to other matters and priorities. This absence of considered decision-making is resulting in uncoordinated urban expansion over, and fragmentation of, highly productive land when less productive land may be available and better suited for urban use. This is preventing the use of this finite resource by future generations.

A variety of approaches have been adopted by councils to protect and manage highly productive land, with mixed results. There is evidence of good practice in some areas, but also evidence of incremental, cumulative loss of highly productive land in others. One of the key outcomes the Government seeks from this consultation is to gather more evidence of the scale and impact of this problem.

## Options that have been considered

The RMA provides tools that can be used to set national direction for a particular problem. National direction on highly productive land could provide councils with a clearer framework for managing this resource and assessing trade-offs between competing land uses – in particular urban expansion and rural lifestyle development. This would also respond to concerns raised by some councils that it is difficult to give sufficient weight to highly productive land when making planning decisions.

1 Ministry for the Environment and Statistics New Zealand (2018). *New Zealand's Environmental Reporting Series: Our land 2018*. Retrieved from [www.mfe.govt.nz](http://www.mfe.govt.nz) and [www.stats.govt.nz](http://www.stats.govt.nz)

2 Ministry for the Environment and Statistics New Zealand (2019). *New Zealand's Environmental Reporting Series: Environment Aotearoa 2019*. Retrieved from [www.mfe.govt.nz](http://www.mfe.govt.nz) and [www.stats.govt.nz](http://www.stats.govt.nz)





Three key options were considered in developing the proposal:

- A national policy statement (NPS);
- National environmental standards; and
- Amendments to the National Policy Statement on Urban Development Capacity 2016.

The analysis set out in this paper concluded that a stand-alone NPS is likely to be the most effective of the three options. This is because an NPS has the potential to provide considerable improvements to how highly productive land is protected and managed by councils, and provide flexibility for councils to consider and respond to local circumstances. It will enable councils to more effectively assess trade-offs when protecting highly productive land and also provide for urban development and other nationally important issues.

An NPS would elevate the importance of highly productive land in the RMA planning and help ensure the benefits and value of highly productive land are given more weight in land-use planning and decision-making.

## The preferred option – a national policy statement

The purpose of the proposed NPS is to improve the way highly productive land is managed under the RMA. It does not provide absolute protection of highly productive land, but rather it requires local authorities to proactively consider the resource in their region or district to ensure it is available for present and future primary production.

A focus of the NPS is to protect highly productive land from “inappropriate subdivision, use and development”. Councils would have some flexibility in how they apply this through regional policy statements and district plans. The proposal does not impact on existing urban areas and land that councils have identified as future urban zones in district plans.

## Acknowledgement

The Ministry for Primary Industries and the Ministry for the Environment would like to acknowledge the stakeholder input that has informed this proposal. This includes input from a number of councils, as well as organisations representing primary industries, property developers and tangata whenua.





# 1 Introduction

## 1.1 About highly productive land for primary production

The focus of the proposal outlined in this document is on maintaining the availability of highly productive land for future primary production. The proposed policy places emphasis on “land” (rather than “soil”) given its focus is on the capability of “land” for a certain use.

The reference to “highly productive land” recognises there are other factors in addition to soil that determine the productive capacity of land for primary production. These include factors like climatic conditions and water availability, as well as proximity to transport infrastructure and labour. While most councils typically consider highly productive land as Class 1–3 under the Land Use Capability (LUC) classification system (discussed under section 2.3), there are other land types that can be highly productive. For instance, land in

Central Otago with characteristics ideally suited to stone fruit production, or Gimblett Gravels in the Hawke’s Bay that are highly sought after for wine production.

This proposal would require councils to identify highly productive land in regional policy statements and district plans using the LUC classification system, and consider a number of other factors including climate, water, transport and labour. The full list of criteria is set out in Chapter 5 which outlines the proposal for national direction on highly productive land. Highly productive land provides significant economic and employment benefits to the communities that surround them, and collectively underpins the value of New Zealand’s primary sector. Half of our export earnings come from land-based primary production<sup>3</sup>; therefore the productivity of our land ensures New Zealand’s position as a major food exporter.

<sup>3</sup> Ministry for the Environment and Stats NZ (2018). *New Zealand’s Environmental Reporting Series: Our land 2018*. Retrieved from [www.mfe.govt.nz](http://www.mfe.govt.nz) and [www.stats.govt.nz](http://www.stats.govt.nz)



Soil is a key component in determining whether land is highly productive. Soil is formed through a complex interaction of factors like climate, underlying geological material, vegetation, animal grazing, management, microorganisms, topography and time. Soils with an ideal mix of these characteristics are highly productive for a range of primary industries, while being resilient to many of the issues caused by frequent cultivation and intensification. Soils can take thousands of years to form – meaning soil resources are largely non-renewable in a human lifetime. The definition of highly productive land for this proposed policy, and how it references the quality of the soil resource, is set out under section 2.3.

## 1.2 Overview of issues facing highly productive land

In April 2018, the Ministry for the Environment and Stats NZ published the *Our land 2018* report, which is a comprehensive assessment of how human activity is affecting the state of New Zealand's land. This assessment was also reported in *Environment Aotearoa 2019*<sup>4</sup>, using the same data and information as the *Our land 2018* report.

These reports identified two key pressures facing highly productive land on the edge of towns and cities:

- Urban expansion, and the accompanying loss of New Zealand's most versatile and productive land; and
- Change of land-use on the fringes of urban areas, in particular the increase in rural lifestyle developments.

*Our land 2018* also highlighted the impact agricultural activities are having on the quality of our soils. The proposed policy outlined in this document does not address these soil quality issues. The Government will consider options to improve soil quality from 2020. Further public consultation will be an important part of that process.

The paragraphs below provide a summary of the key issues impacting on the availability of highly productive land for primary production. See Chapter 3 for more detail.

## Urban land expanding on to New Zealand's most productive land

Some of our most productive land is situated around our towns and cities. The usefulness of this land for intensive primary production may have been a significant factor in why these areas were originally settled.

*Our land 2018* confirmed that many highly productive land areas are being covered in houses, urban infrastructure and rural lifestyle properties as our cities and towns expand.

## The creation of rural lifestyle properties is reducing the availability of highly productive land

*Our land 2018* highlighted the fragmentation of land into rural lifestyle properties as a key issue facing highly productive land.

Economies of scale mean fragmenting land into smaller parcels reduces the productivity of the overall rural area. In addition, the creation of rural lifestyle properties typically involves the construction of driveways, dwellings, garages or utility buildings that further reduce the amount of land available for production.

## Reverse sensitivity – when new land uses conflict with existing uses

Reverse sensitivity refers to the vulnerability of an existing activity to complaints from newly located activities in close proximity that are sensitive or incompatible with that existing activity (e.g. new residential dwellings next to a rural production activity). Reverse sensitivity effects are not unique to highly productive land or primary production, but they can be a particular issue for certain primary production operations (e.g. spraying, operation of noisy machinery, etc.). This can lead to complaints and subsequent constraints on these established operations.

The primary sector and councils have raised concerns about reverse sensitivity effects restricting how they can operate, as this compromises the productivity of the land. Urban expansion around horticultural food hubs in particular, can create tension between newly arrived groups and established producing communities.

<sup>4</sup> Ministry for the Environment and Stats NZ (2019). *New Zealand's Environmental Reporting Series: Environment Aotearoa 2019*. Retrieved from [www.mfe.govt.nz](http://www.mfe.govt.nz) and [www.stats.govt.nz](http://www.stats.govt.nz)

### 1.3 Purpose of this document

This discussion document has been prepared to:

- help you understand why a national direction tool is being considered for highly productive land, and the options that were considered as part of the development of this proposal;
- outline the proposal, and its potential costs and benefits;
- help you prepare questions and feedback; and
- guide you in making a submission through the public consultation process.

### 1.4 Feedback sought

We welcome your views on the proposal.

We are seeking the views of, and information from: Māori; iwi authorities; Māori entities; councils; the agricultural community (farmers, growers, industry, businesses, consumers); land developers and land owners; the resource management planning community; and the public, to better understand the costs and benefits of the proposal. Discussion questions are included throughout the document, including specific questions about the proposed policy in Chapter 5.

This public consultation process aims to:

- understand the views on introducing a national direction tool (i.e. a national policy statement) for highly productive land;
- test the scope and nature of a national direction tool (i.e. a national policy statement) for highly productive land, including the problems it seeks to address, and obtain feedback on the definition of “highly productive land”; and
- understand your comments and views on the questions posed throughout this document and repeated under section 6.4.

Information on how to make a submission, including questions to guide your feedback, is set out in Chapter 6.

### 1.5 Wider national direction

The proposal (as outlined in this discussion document) for a national direction tool for highly productive land has been developed alongside several other government resource management

priorities, including the proposed National Policy Statement<sup>5</sup> for Urban Development and the amendments to the National Policy Statement for Freshwater Management 2014 (NPSFM).

These are also strategic priorities for the Government that may have implications on the implementation of the proposal outlined in this discussion document. In this light, the Ministry for the Environment and the Ministry for Primary Industries are working closely with other agencies to ensure all the national direction tools, both existing and proposed are aligned.

### Proposed National Policy Statement on Urban Development

The Government is also consulting on a proposed National Policy Statement on Urban Development (NPS-UD). The proposed NPS-UD aims to provide direction about when and how councils should plan for growth, and how to do this well. It builds on the existing National Policy Statement on Urban Development Capacity 2016 and would require councils to:

- carry out long-term planning on how they will accommodate growth and ensure a quality urban environment;
- ensure plans make room for growth both ‘up’ and ‘out’, and that rules are not unnecessarily constraining growth;
- develop, monitor and maintain an evidence base about demand, supply and prices for housing and land, to inform planning decisions; and
- align and co-ordinate planning across urban areas, and appropriately reflect Māori values and interests.

The proposed NPS-UD would take a targeted approach, applying more rigorous requirements to our largest, fastest growing cities and urban centres where housing shortages create national impacts. It would direct councils to be more strategic about planning how and where development should occur, including identifying areas where evidence shows urban development may not be appropriate. It would build on and strengthen the requirement for councils with major urban centres to identify new urban areas through future development strategies. The interaction between this proposal for highly

<sup>5</sup> National policy statements are instruments issued under section 52(2) of the Resource Management Act 1991. They state objectives and policies for matters of national significance. The New Zealand Coastal Policy Statement 2010 (prepared under section 57) applies to the coastal environment which includes land on the landward side of the coastal marine area, and includes policies relating to urban development.



productive land and the proposed NPS–UD is discussed in more detail in Chapters 3 and 5.

### Further amendments to the National Policy Statement for Freshwater Management 2014 and proposed National Environmental Standards<sup>6</sup> for Freshwater Management

The Government will shortly be consulting on amendments to the NPS for Freshwater Management 2014 (amended 2017) and a new National Environmental Standard for Freshwater Management as part of the Essential Freshwater Programme. The programme has three objectives:

- **Stopping further degradation and loss** – taking a series of actions now to stop the state of our freshwater resources, waterways and ecosystems getting worse, and to start making immediate improvements so water quality is materially improving within five years.
- **Reversing past damage** – promoting restoration activity to bring our freshwater resources, waterways and ecosystems to a healthy state within a generation, including through a new National Policy Statement for Freshwater Management and other legal instruments.
- **Addressing water allocation issues** – working to achieve efficient and fair allocation of freshwater and nutrient discharges, having regard to all interests including Māori, and existing and potential new users.

The key interaction between the proposal set out in this document and the existing and proposed freshwater national direction instruments will be where land–use controls (e.g. the proposed Freshwater National Environmental Standard, or regional rules) are required to meet freshwater management objectives in areas that may also contain highly productive land. Councils will need to balance both the freshwater management and highly productive land objectives in deciding what and where activities can take place.

### National Planning Standards

The national planning standards are a relatively new tool in the national direction toolbox. Two key purposes of the planning standards is to require national consistency across resource management plans and to support the implementation of national policy statements, national environmental standards or other regulations made under the RMA. The first set of national planning standards, gazetted in April 2019, focused on the core elements of plans, i.e. their structure and format, along with standardising common definitions and improving the electronic accessibility of plans. With these foundation standards in place, we expect this will make it easier for any future planning standards prepared to support the consistent implementation of other national directions to be included in plans.

Note: Further details and updates on the above will be placed on the [Ministry for the Environment's website](#).

<sup>6</sup> National environmental standards are regulations issued under section 43 of the Resource Management Act 1991 and can apply regionally or nationally.









# 2 Context

## 2.1 Why land matters

People need land for survival: for food, water, raw materials and shelter. Land encompasses rocks and soil, plants and creatures, and the ecosystems where they interact. The land sustains every aspect of our lives: it provides life-supporting systems; it is the foundation of our economy and society; and it supports the expression of our culture, spirituality and identity through the connections to place and history.

Māori have had a long history and a close interdependent relationship with the natural environment, particularly the soil resources.<sup>7</sup> The story of Whenua Māori is an interweaving of profound connection and alienation. There is an abiding link to whenua (land), and to Papatūānuku (the Earth Mother). According to Māori history and legends, Papatūānuku is the realm in which whenua is a fundamental component. Papatūānuku is honoured by Māori as tangata whenua, the indigenous people of Aotearoa New Zealand.<sup>8</sup>

## 2.2 Highly productive land is a valuable and limited resource

While highly productive land (as defined in section 2.3) makes up a small proportion of all land in New Zealand, it provides significant value locally and nationally by providing a number of benefits. Some types of primary production, for instance market gardening and vegetable production, rely heavily on highly productive land to produce crops that meet consumer expectations at yields that provide a sufficient return for food producers.

Many imported crops cannot be grown in New Zealand. Others complement availability gaps in New Zealand's own seasonal production. Figure 1 below shows the value of fruit and vegetables to New Zealand in 2017, and compares imports and exports.

Many rural communities and their economies have been established around highly productive land. As well as providing direct employment

<sup>7</sup> Churchman G, and Landa E (editors) (2014). *The soil underfoot: infinite possibilities for a finite resource*. Taylor and Francis Group.

<sup>8</sup> Ministry for the Environment and Stats NZ (2018). *New Zealand's Environmental Reporting Series: Our land 2018*. Retrieved from [www.mfe.govt.nz](http://www.mfe.govt.nz) and [www.stats.govt.nz](http://www.stats.govt.nz)

**Figure 1: Comparisons of New Zealand's key exports and imports of fruit and vegetable products in 2017 (\$ million)**



(such as on a farm, orchard, vineyard or market garden), intensive primary sector activities support employment and businesses across the primary sector value chain. Any reduction in the availability of highly productive land in existing food production 'hubs' is likely to have flow-on effects across this value chain and may result in an increase in the cost of vegetables over time.

The produce from highly productive land can also help shape a community's identity. Anecdotal information suggests that communities take pride in living in an area that is well known for particular produce. Some communities have chosen to

celebrate this with annual harvest festivals, regular farmers' markets and even erecting large novelty statues including a kiwifruit in Te Puke, various fruits in Cromwell and a carrot in Ohakune.

Many vegetables are grown on highly productive land close to large urban centres. There may be some cost efficiencies in producing vegetables within a close proximity to these population centres. While a degree of inter-regional food supply will always be needed due to certain crops performing better in different regions, there is a growing desire from consumers for locally-grown food.

## What is happening overseas?

### **A reduction in the availability of highly productive land has been identified in other countries.**

As a result of urban expansion onto food-growing land in Melbourne, Australia, local vegetable production is expected to reduce from providing 82 percent of Greater Melbourne's needs to just 21 percent by 2050 (Sheridan J, Larsen K, Carey R. (2015). *Melbourne's foodbowl: now and at seven million*. Victorian Eco-Innovation Lab, The University of Melbourne).

In the United States of America (USA), every state has enacted its own right-to-farm laws. These regulations seek to protect qualifying farmers and ranchers from nuisance lawsuits from newly-established rural dwellers who try to stop or reduce farming operations that they perceive as a nuisance (National Agricultural Law Centre, USA (2019). *States' Right-To-Farm Statutes*: <https://nationalaglawcenter.org/state-compilations/right-to-farm>).

Both Oregon in the USA and Adelaide in Australia have long-standing planning regimes that restrict development on, and subdivision of, productive land.

Europe is also putting protective measures in place for productive land. The 7th Environment Action Programme, which is guiding European Union (EU) environmental policy until 2020, recognises that soil protection is a serious challenge. The EU has identified the impact of soil sealing, when the ground is covered by impermeable material such as concrete or asphalt, as a threat to fertile agricultural land and one of the main causes of soil degradation for EU countries. In 2012, the EU produced guidelines for best practices to reduce, mitigate and compensate for soil sealing (European Union, (2012). *Guidelines on best practice to limit, mitigate or compensate*: [http://ec.europa.eu/environment/soil/pdf/guidelines/pub/soil\\_en.pdf](http://ec.europa.eu/environment/soil/pdf/guidelines/pub/soil_en.pdf)).





## 2.3 Defining highly productive land

### The Land Use Capability classification system

The most common system councils use to classify highly productive land is the Land Use Capability (LUC) system, which considers physical factors (rock type, soil, slope, severity of erosion, and vegetation) as well as inventory factors (climate, the effects of past land-use, and potential for erosion). Under the LUC system, land is categorised into eight classes according to its long-term capability to sustain one or more productive uses.

Land that is classified as Class 1 under the LUC system is the most versatile and has the fewest limitations for use, while Class 8 is the least versatile with the highest limitations for use.

Some councils define highly productive land as land that contains Class 1 and 2 soil, which makes up about 5 percent of New Zealand's land. Others consider Classes 1, 2 and 3 as highly productive, which makes up around 14 percent of our land (excluding conservation land and existing urban areas). The location of this land is displayed in Figure 3.

### Other highly productive land

There may be other highly productive land that is not considered to be versatile under the LUC classification system that could be facing rural-urban challenges. Land used for viticulture and other high-value industries, such as stone fruit, tends to have an LUC class above three and historically has not been considered as highly productive. However, this land can still have unique characteristics that may warrant it being included in the scope of this proposed national direction.

The intent of this proposed policy is to give councils and their communities the flexibility to identify land that has a lower LUC class rating (i.e. the less versatile land of LUC Classes 4–8), but also contains special properties that make it highly productive and worth protecting (e.g. suitability of the climate, water availability, size of the area of land).

Figure 2: Increasing limitations to use and decreasing versatility of use from LUC Class 1 to 8

Increasing limitations to use	LUC Class	Arable cropping suitability	Pastoral grazing suitability	Production forestry suitability	General suitability	Decreasing versatility to use
	1	High ↓ Low	High ↓ Low	High ↓ Low	Multiple use land	
	2					
	3					
	4					
	5	Unsuitable	Low ↓ Unsuitable	Low ↓ Unsuitable	Pastoral or forestry land	
	6					
	7					
	8					
		Unsuitable	Unsuitable	Conservation land		

Note: Arable cropping suitability includes vegetable cropping: [https://www.landcareresearch.co.nz/\\_\\_data/assets/pdf\\_file/0017/50048/luc\\_handbook.pdf](https://www.landcareresearch.co.nz/__data/assets/pdf_file/0017/50048/luc_handbook.pdf)

## Limitations of the LUC classification system

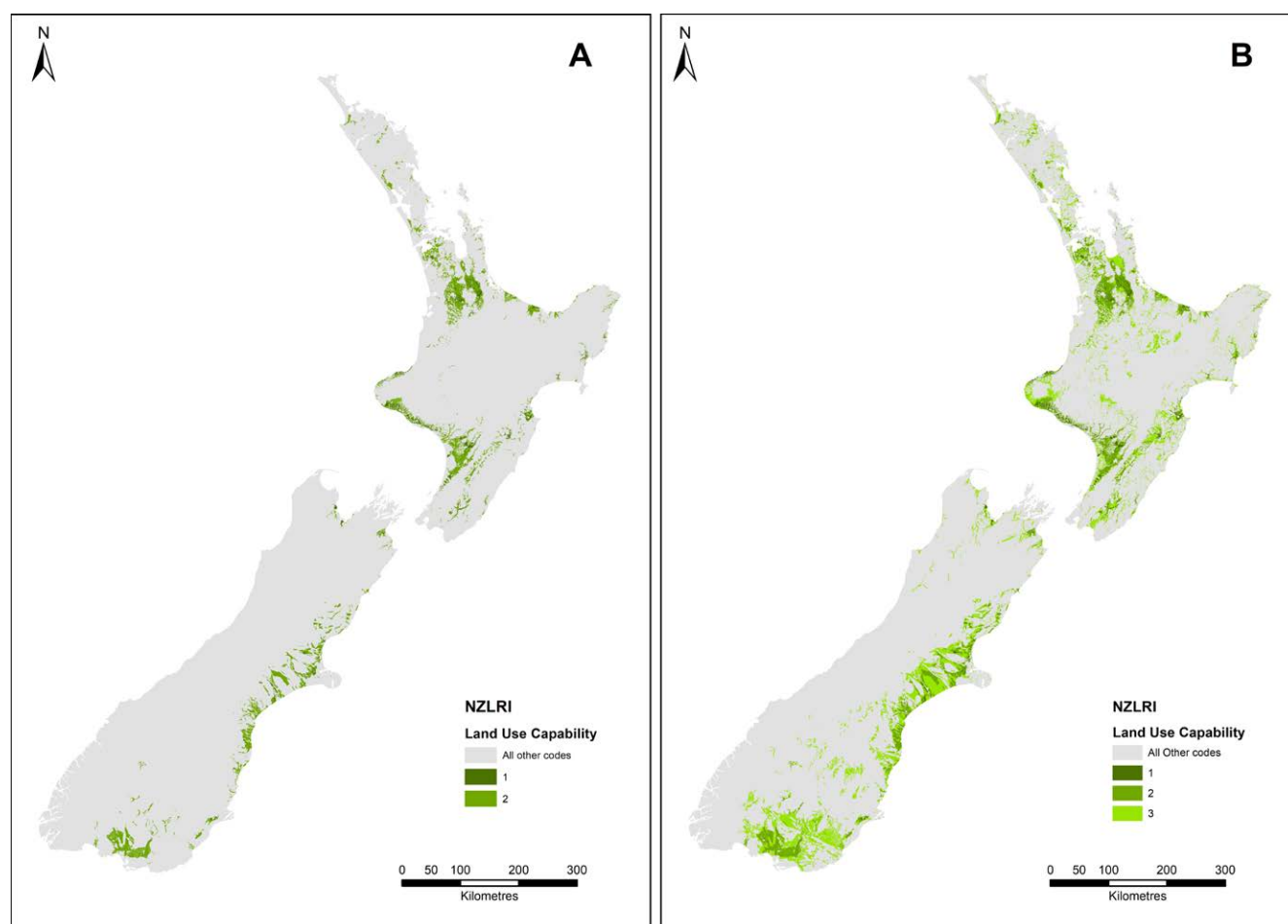
The LUC classification system was developed in the 1970s using the best available science at the time. While it is a useful tool for informing land management, there are a number of limitations to its use, including:

- the scale of mapping (1:50,000 to 1:63,000) is not of sufficient resolution to accurately identify where mapped LUC areas sit in relation to property boundaries;
- discrepancies between, and sometimes within, regions in how the tool has been used to classify land; and
- the static nature of the data, which has not been updated since it was mapped in the 1970s and 1980s.

Councils have attempted to resolve these issues by adapting the data, and adding in new information as it comes to hand. However, this has been done at varying levels of accuracy and scale, and often in an ad-hoc manner as part of resource consent applications.

Despite its limitations, the LUC classification system is the best system available to classify the productivity of land and soil resources in New Zealand.

**Figure 3: Distribution of New Zealand's Land Use Capability Classes (A) 1 and 2 and (B) 1, 2 and 3**



Note: this map excludes conservation land, urban areas (at the time of mapping) and the beds of rivers and lakes (New Zealand Land Resource Inventory).



## Other factors that make land highly productive

There are other key factors that contribute to whether land can be considered highly productive. While the features of the land are the primary factors that influence its versatility for a range of land uses (as described in the LUC system), there are also external factors that influence the versatility and productive capability of land, for example:

### **The size and cohesiveness of land properties to support primary production**

- When land is fragmented into smaller lot sizes, particularly for rural lifestyle developments, the production capability of that land generally falls. A study in 2012 reported that up to 66 percent of properties less than 4 hectares, and up to 82 percent of those less than 1.5 hectares, were not being used for any productive purpose.<sup>9</sup>

### **The current or potential availability of water**

- Water availability is an important limiting factor for primary production, particularly horticulture.<sup>10</sup> Water levels are monitored by councils and the use of water for primary production is restricted in many areas.

### **Access to transport routes and appropriate labour markets**

- Many uses of highly productive land are labour intensive, particularly when the land is used for horticulture. Land in more remote areas, where there are limited services to support workers and few sealed roads to transport produce, can be less productive.

The consideration of factors other than soil will be particularly important in protecting land where growing vegetables over winter is possible as the presence of these factors may have a stronger influence in enabling production than soil alone. Considering these other aspects will reduce the chance of land being protected, and therefore not used for highly productive primary production.

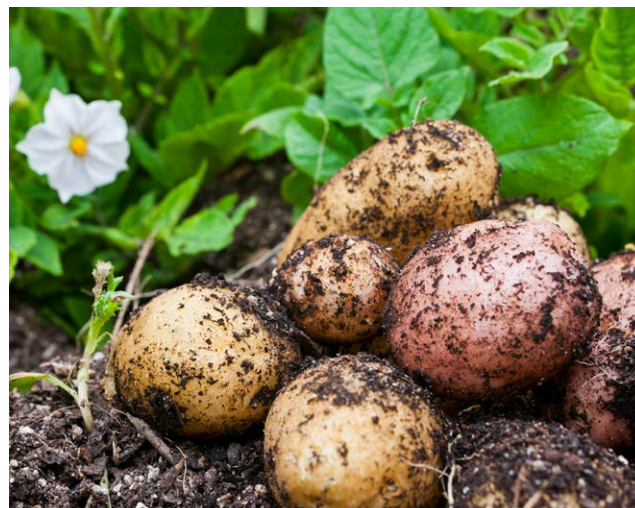
## Proposed definition of highly productive land

The definition of highly productive land in the proposed NPS is based on the LUC classification system, but it will provide flexibility for councils to identify highly productive land based on a range of considerations.

When the proposed NPS comes into effect, the proposed default definition of highly productive land is land with an LUC classification of Class 1, 2 or 3.

It is then proposed that regional councils will be required to identify highly productive land based on a range of considerations, including those set out in 2.3.3 above, to exclude some of this land, or to identify other highly productive land. Regional councils will need to undertake this process, in consultation with their communities, within three years of the proposed NPS coming into effect. The default definition would provide some protection of highly productive land while regional councils undertake this process.

More information about the factors councils will need to consider when identifying highly productive land is set out in the draft policy under Chapter 5.



<sup>9</sup> Andrew R & Dymond JR. (2012). Expansion of lifestyle blocks and urban areas onto high-class land: An update for planning and policy, *Journal of the Royal Society of New Zealand*.

<sup>10</sup> Mu Q, Zhao M, Heinsch FA, Liu M, Tian H, and Running SW. (2007). Evaluating water stress controls on primary production in biogeochemical and remote sensing based models, *J. Geophys. Res.*, 112, G01012, doi:10.1029/2006JG000179

## What does this mean for whenua Māori?

**Whenua Māori (Māori land) is highly valued by Māori for a range of reasons, including its productive value for a range of primary production activities.**

Approximately 8 percent of Māori land (113,238 hectares) and 3 percent of Treaty Settlement Land (30,419 hectares) is classed as LUC 1–3.\* This whenua, which would meet the proposed default definition of highly productive land in the NPS, would apply until regional councils map highly productive land in their regions. Regional councils may also propose to identify areas of whenua Māori as highly productive land when giving effect to the NPS following consultation with affected iwi authorities and Māori landowners.

The NPS provisions currently do not differentiate between whenua Māori and other forms of tenure when identifying

and protecting highly productive land. However, it is expected this is something that councils will consider as part of the process to identify highly productive land as the proposed NPS criteria enables councils to consider the current use of land and the environmental, economic, social and cultural benefits it provides. This is important as there are a number of constraints that apply to Māori land that do not apply to general land. This also reflects the fact the subdivision of whenua Māori is generally dealt with by the Māori Land Court, not under the subdivision provisions of the RMA, and is not subject to the same pressures for rural lifestyle development.

\*Districts and regions with the largest amount of whenua Māori classified as LUC 1–3 are Gisborne, South Taranaki, Whakatane, Ruapehu, Far North, Ōpōtiki and Wairoa (in that order).





## 2.4 Climate change and technology could change what we consider to be highly productive land

Climate change is already affecting New Zealand's land systems. We can expect severe effects on land from long-term changes and increased frequency of intense rainfall events and droughts. Based on the latest climate projections for New Zealand, by the end of this century we are likely to experience:

- **Higher temperatures** – greater increases in the North Island than the South, with greatest warming in the northeast (although the amount of warming in New Zealand is likely to be lower than the global average);
- **Rising sea levels** – including salt water intrusion into ground water and up river systems;
- **More frequent extreme weather events** – such as droughts (especially in the east of New Zealand) and floods; and
- **A change in rainfall patterns** – with increased summer rainfall in the north and east of the North Island and increased winter rainfall in many parts of the South Island.

Adapting to climate change is a long-term challenge. An increasing frequency of adverse climate events causes potential volatility for primary producers from season to season.

The effects of climate change on the location and availability of highly productive land are uncertain. As parts of the country become warmer, cooler, drier or wetter, the areas that are currently considered to be highly productive could change, prompting a reassessment of what land should be prioritised for protection.

Technology also affects how we use land and soils. For example, in New Zealand the development of irrigation technologies has allowed dairying on a much broader range of soils and climates. Further innovations in digital monitoring, robotics, animal health and genetics, farm equipment and analytical software are predicted to have a big impact on the way we produce food.

The future effects of climate change will be considered by councils when giving effect to this proposal, including when identifying highly productive land.<sup>11</sup> The future effects of climate change and technology are also drivers for Government building in a review of this proposal at regular intervals to ensure it is fit-for-purpose and achieving its objectives.

<sup>11</sup> Councils will need to consider the climate, among other factors, when identifying highly productive land. The Resource Management Act 1991 also requires councils to consider the future effects of climate change.



### Questions

What are the values and benefits associated with highly productive land?

What are the values and benefits associated with existing food growing hubs and how can these be maximised?









# 3 The problem we want to solve

This chapter draws on available evidence on the pressures and land-use planning issues affecting highly productive land and patterns of land-use change on highly productive land. It has been informed by feedback from primary sector and council representatives during recent stakeholder workshops leading up to this consultation.

Much of the information that we have received has been anecdotal in nature. Additional information is needed to confirm aspects of the problem statement; better understand the impacts highly productive land loss is having across New Zealand currently; and better understand the future impacts of this loss on the use of our highly productive land resource. Questions are included throughout this chapter to gather more evidence on this.

## 3.1 Problem statement

Under the RMA there is a lack of clarity on how highly productive land should be managed.

The lack of clarity under the RMA means the value of highly productive land for primary production is given inadequate consideration, with more weight generally given to other matters and priorities.

Absence of considered decision-making is resulting in unco-ordinated urban expansion, and fragmentation, of highly productive land when alternative locations and approaches may be available. This is precluding the best use of this finite resource for primary production for the benefit of New Zealand.

### There is a lack of clarity on how councils should manage highly productive land under the RMA

The Resource Management Act 1991 (RMA) provides the regulatory framework to manage the use of natural and physical resources including land, soil, fresh water and the coastal marine area. The purpose of the RMA is to promote the sustainable management of natural and physical resources. The definition of sustainable management is set out in section 5(2) of the RMA, which includes reference to safeguarding the life-supporting capacity of soil.

Section 7 of the RMA sets out “other matters” that persons exercising functions and powers under the RMA must have particular regard to. The management of highly productive soils (land) is a relevant consideration under section 7(b) and 7(g) of the RMA, which refer to the efficient use and development of, as well as the finite characteristics of, “natural and physical resources”. This has been clarified by the Courts, which have found that land/soil is a resource that must be considered under sections 5 and 7 in relation to both present and future generations.

Despite this clarification, concerns have been raised by councils, soil scientists and primary sector representatives that the lack of explicit reference in the RMA to this issue is resulting in limited weight being given to highly productive land when making decisions on competing land uses. Many other matters that must be considered under sections 5 and 7 of the RMA have been expanded on and clarified through existing RMA national direction<sup>12</sup>, but highly productive land has not. This lack of clarity means New Zealand’s highly productive land resource is being sealed by urban development or fragmented into less productive rural lifestyle developments, often without due consideration of the long-term value this finite resource provides to New Zealand.<sup>13</sup> There has also been a reluctance from some councils to propose strong provisions relating to highly productive land in the absence of any supporting national direction on this matter.

12 Information about existing national direction under the RMA is available on the Ministry for the Environment’s website: <http://www.mfe.govt.nz/rma/rma-legislative-tools>

13 Curran-Cournane F, Golubiewski N, Buckthought L. (2018). The odds appear stacked against versatile land: can we change them?, *New Zealand Journal of Agricultural Research*, DOI: 10.1080/00288233.2018.1430590

The lack of clarity under the RMA framework has resulted in councils taking a variety of approaches to protect and manage highly productive land across New Zealand. Some regional policy statements and plans have defined highly productive land (or similar) and include clear direction in the objectives and policies on how this resource should be managed. Conversely, some plans are completely silent on highly productive land and how this resource should be considered alongside other matters and uses. There is also a high level of variation in:

- **The objectives and policies to guide land-use decision-making on highly productive land.** Depending on the circumstances of the region or district, this policy direction ranges from very strong (e.g. avoiding urban expansion on highly productive land) to policy direction that allows for urban growth and development on highly productive land in certain situations. Some plan provisions combine the direction to protect highly productive land with some form of qualifier (e.g. “where practicable”<sup>14</sup>) which may result in incremental urban development on highly productive land (and loss in availability for primary production) as each proposal is assessed on a case by case basis.
- **Subdivision rules to manage fragmentation of highly productive land.** The common approach to manage fragmentation is through setting larger minimum lot size standards for subdivisions in rural production zones and concentrating rural lifestyle development in certain areas/zones to alleviate pressure on the highly productive land resource. However, these types of mechanisms are not used consistently and some district plans still have a permissive subdivision regime in their main rural zone(s) that can lead to fragmentation of productive rural areas. Subdivision rules within rural zones also rarely distinguish between subdivision on highly productive areas and less productive land.

The variation in planning approaches across New Zealand reflects variation in the extent of highly productive land, urban expansion pressures and patterns of land use. Some past and current planning approaches are failing to protect highly productive land for primary production, as evident

in the high rates of urban expansion on, and fragmentation of, this finite resource (discussed under sections 3.2 and 3.3 below). This relates both to the effectiveness of the approach taken, how the provisions are applied in practice, and other considerations being given more weight in land-use decisions.

### **The lack of clarity under the RMA means highly productive land is given inadequate consideration by local government**

Councils have clear obligations to recognise and provide for matters of national importance under section 6 of the RMA and give effect to national policy statements. As highly productive land is not specifically dealt with under the RMA, competing considerations that are explicitly referenced in section 6 of the RMA, or in national direction, can take precedence in land-use planning and decision-making over the long-term retention of highly productive land for primary production. Furthermore, the absence of any supporting national direction on this matter means there can be a reluctance to propose strong provisions relating to highly productive land and/or the weight of these provisions can be diminished through the statutory process.

Central and local government are driven to ensure that growing populations will have adequate housing and infrastructure, and the need to provide for urban capacity is contributing to increasing pressure on the highly productive land resource near urban centres. There is an ongoing incremental, cumulative loss of highly productive land for primary production as decision-makers discount the significance of an area when it is considered in the context of the total area of highly productive land in the region/district. This was highlighted in a recent High Court decision<sup>15</sup> regarding the location of the Rural Urban Boundary in Auckland. It was also a reason a large amount of highly productive land was included within the Rural Urban Boundary (i.e. zoned for an urban use) or zoned as Countryside Living through Auckland’s Unitary Plan process.

The value of preserving highly productive land for primary production is often difficult to quantify by councils at a district or regional level. The issues facing highly productive land are compounded

<sup>14</sup> The term “where practicable” can be open to wide interpretation and is often a low threshold for determining whether primary production is “practicable”.

<sup>15</sup> *Jay Gock and Fay Gock v Auckland Council* [2019] NZHC 276.



by the common approach taken to value land-use change under the RMA. Marginal analysis based on comparison of land-use outcomes in financial terms at a single parcel level is heavily weighted toward favouring change away from primary production activities. This is because the financial returns from residential and business uses are, in almost all instances, greater than those from primary production activities using highly productive land. Similarly, the value of land for rural lifestyle development is usually several times that of land used for primary production activities. However, at the macro level, providing for urban development on non-highly productive land is far less costly to the overall economy than allowing consumption of highly productive land. Therefore, the scale at which highly productive land is considered may result in it being undervalued due to the localised benefits associated with its conversion to urban use.

### Inadequate consideration of highly productive land is resulting in the progressive loss of this valuable resource for primary production

The *Our land 2018* report highlighted the reduction in the availability of highly productive land for primary production due to:

- urban expansion onto highly productive land; and
- fragmentation of highly productive land by ad hoc development and rural lifestyle development.

Growers and councils have also raised concerns about the impact of new sensitive and incompatible activities conflicting with established activities, resulting in “reverse sensitivity effects”.

We are particularly interested in identifying the barriers councils and communities have when addressing the above three problems. The sections below provide further detail.



## Questions

Does the RMA framework provide sufficient clarity and direction on how highly productive land should be managed? Why/why not?

Does the RMA framework provide sufficient clarity on how highly productive land should be considered alongside competing uses? Why/why not?

How are values and wider benefits of highly productive land being considered in planning and consenting processes?

## 3.2 Urban expansion on to highly productive land

Urban expansion into rural areas has had a significant effect on the availability of highly productive land for primary production. From 1996 to 2012, New Zealand’s urban areas increased by 10 percent to approximately 228,000 hectares.<sup>16</sup> While not all urban expansion occurs on highly productive land, evidence suggests a high portion does. From 1990 to 2008, 29 percent of these new urban areas were on LUC Class 1 and 2 land (which makes up only 5.2 percent of New Zealand’s land area), with the greatest urban expansion occurring in Auckland (2,600 hectares), and Canterbury (4,800 hectares). This urban expansion is partly driven by an increasing population (19 percent increase in the New Zealand population between 1996 and 2013), and the need for new housing, particularly near existing urban centres. There has also been a tendency for urban expansion in New Zealand to occur outwards rather than upwards, when both forms of development are needed.

Urban expansion and paving over land reduces the availability of highly productive land for primary production. Once an area of highly productive land is converted to urban use the likelihood of it reverting to primary production is extremely low. The ongoing urban expansion onto highly productive land may have wide-ranging and intergenerational impacts on rural communities and economies that are based around primary production.

<sup>16</sup> Ministry for the Environment and Stats NZ (2018). *New Zealand’s Environmental Reporting Series: Our land 2018*. Retrieved from [www.mfe.govt.nz](http://www.mfe.govt.nz) and [www.stats.govt.nz](http://www.stats.govt.nz).

## Urban expansion can have a particularly significant impact on horticulture

Urban expansion can impact on all forms of land-based primary production. However, the scale and value of horticulture hubs, and the typically flat, well-serviced land that they occupy at urban fringes, makes horticulture more vulnerable to urban expansion than other primary sectors. From 2002 to 2016, New Zealand's area of land previously used for vegetable growing decreased 29 percent, from nearly 100,000 hectares to about 70,000.<sup>17</sup>

The impact on the horticulture sector from urban expansion onto highly productive land would not present an issue if there is the ability for horticulture production to move to suitable land elsewhere. However, there are often a range of regulatory, environmental and physical constraints that limit the ability of horticulture production to move elsewhere and this is a particular barrier for New Zealand's productive horticulture hubs. These constraints include land availability and price, climate, regional controls (particularly requirements to manage the impact of activities on freshwater quality), availability of water, and the critical mass of supporting processing facilities. Feedback from stakeholders suggests these constraints are not being adequately considered when providing for urban expansion onto highly productive land.



## Questions

How is highly productive land currently considered when providing urban expansion? Can you provide examples?

How should highly productive land be considered when planning for future urban expansion?

## 3.3 Fragmentation of highly productive land

Fragmentation of land parcels can result in land becoming unsuitable for certain types of primary production activities and therefore reduce the overall availability of highly productive land for primary production. Fragmentation is generally the result of subdivision of land in rural areas which is often concentrated in peri-urban areas and/or within rural areas seen as desirable places to live for their rural amenity and character.

There has been a sharp increase in rural lifestyle development in recent decades.<sup>18</sup> New Zealand has around 175,000 rural lifestyle developments, occupying around 873,000 hectares of land. *Our land*

<sup>17</sup> Deloitte (2018). *New Zealand's Food Story: The Pukekohe Hub*. Prepared for Horticulture New Zealand, August 2018.

<sup>18</sup> In this document, rural-lifestyle development means subdivision and development where the primary purpose is rural-residential or rural lifestyle use within a rural area with a lot smaller than those of the General Rural and Rural Production zones, typically in the range of 0.2–8 hectares.





2018 reported that over 40 percent of these have been established since 1998 – an average of 5,800 new blocks a year. In Auckland, 35 percent of the most versatile land is occupied by rural lifestyle properties.<sup>19</sup>

Rural lifestyle development may have a greater impact on the availability of highly productive land for the primary sector than urban expansion. While the outward growth of urban centres between 1990 and 2008 occurred on 0.5 percent of New Zealand's LUC class 1 and 2 land, analysis in the same study shows that rural lifestyle zones had already occupied 10 percent of all LUC Class 1 and 2 land.<sup>20</sup>

In some instances, councils have strong provisions in their plans to manage the impact of fragmentation of productive rural areas and ensure new rural lifestyle development is appropriately managed. This is increasingly evident in second generation plans through the use of different zones to concentrate rural lifestyle development in certain locations, often close to existing urban areas, to alleviate pressure for rural lifestyle development in rural production zones containing highly productive land. However, there are also district plans across New Zealand that contain one general rural zone but lack direction on how rural lifestyle development and fragmentation of highly productive land should be managed.

While the fragmentation of land ownership is legally reversible, in practice this is not common as a property's value generally increases when it is converted to a rural lifestyle property (Andrew & Dymond, 2013; Curran-Cournane et al., 2018). As a consequence, fragmentation of highly productive land generally results in the permanent loss of that land for primary production. Measuring the impact of rural lifestyle development on primary production is difficult as very little information is available.

## Some small blocks of land are highly productive

The extent to which rural lifestyle developments are used for primary production varies markedly, from intensively farmed small blocks, producing a range of commercial agricultural and horticultural products, through to low intensity operations, producing for the needs of the household.

The break-up of properties for rural lifestyle development can be disruptive to existing farming practices, particularly where the subdivision is of highly productive land which has been used for horticultural production. However, when these developments occur on less productive grazing land, there can be more diversity in production and new investment. Past research and surveys have generally found that smaller blocks will experience a moderate to significant fall in overall production when broken up. In contrast larger blocks, and those converted from more extensive grazing, may see an increase in agricultural production and value when subdivided.<sup>21</sup>



## Questions

How is highly productive land currently considered when providing for rural-lifestyle development?

Can you provide examples?

How should highly productive land be considered when providing for rural-lifestyle development?

19 Deloitte (2018). *New Zealand's Food Story: The Pukekohe Hub*. Prepared for Horticulture New Zealand, August 2018.

20 Andrew R, & Dymond JR. (2013). Expansion of lifestyle blocks and urban areas onto high-class land: An update for planning and policy. *Journal of the Royal Society of New Zealand*, 43(3), 128–140.

21 Lillis et al. (2005). *Smallholdings in New Zealand*. New Zealand Agricultural and Resource Economics Society (Inc.). Paper presented at the 2005 NZARES Conference.

### 3.4 Reverse sensitivity

Reverse sensitivity is a well-known planning concept under the RMA. It refers to the vulnerability of an existing activity to complaints from newly located activities in close proximity that are sensitive or incompatible with that existing activity. In practice, complaints and potentially legal challenges from these newly established activities can compromise the established activity by restricting when and how it can operate. Reverse sensitivity is not unique to highly productive land or primary production. However, reverse sensitivity effects can be a particular issue for certain primary production operations.

In productive rural environments, common reverse sensitive effects relate to complaints about the operation and noise of machinery, pesticide and fertiliser spraying and application, and dust and smells associated with primary production. This can lead to complaints and subsequent constraints on these established operations. For example, reverse sensitivity associated with development pressures was identified by a local growers' community as one of the key challenges resulting from urban expansion and rural fragmentation in Pukekohe.<sup>22</sup> However, the extent of the impacts on established primary production activities are difficult to quantify.

There is extensive case law on reverse sensitivity. This has confirmed that the management of reverse sensitivity effects is not just about imposing constraints on new sensitive and potentially incompatible activities. The first principle is that the activity causing the adverse effects should internalise those effects to the extent practicable.

Only where established activities cannot internalise the adverse effects and the continued presence of that activity in the area is important locally, regionally or nationally, should this result in constraints on new sensitive and potentially incompatible activities.<sup>23</sup>

### 3.5 These issues are being seen throughout New Zealand

The indicative cost-benefit assessment for this proposal looked in depth at the approach six councils take to managing highly productive land. These councils are: Auckland; Waipa District; Western Bay of Plenty District; Horowhenua District; Selwyn District; and Ashburton District. The assessment found highly productive land was prone to urban expansion and fragmentation throughout New Zealand, and that councils are taking a variety of approaches to manage this and the associated reverse sensitivity effects. A summary of the findings from these case studies is provided in Appendix B. Further information is available in the full cost benefit assessment which is available at [www.mpi.govt.nz/HighlyProductiveLand](http://www.mpi.govt.nz/HighlyProductiveLand).



#### Questions

Do you agree that there is a problem? Has it been accurately reflected in this document?

Are you aware of other problems facing highly productive land?



#### Questions

How should the tensions between primary production activities and potentially incompatible activities best be managed?

How can reverse sensitivity issues at the rural-urban interface best be managed?

### 3.6 National direction would help councils consider highly productive land alongside their other priorities

The New Zealand planning system is highly devolved with the RMA empowering councils to make the vast majority of decisions regarding land use and urban expansion within their jurisdictions.

<sup>22</sup> Curran-Cournane F, Cain T, Greenhalgh S, Samarasinghe O. (2016). Attitudes of a farming community towards urban growth and rural fragmentation – an Auckland case study. *Land Use Policy*. 58:241–250.

<sup>23</sup> Refer *Winstone Aggregates v Matamata-Piako DC* [2005] 11 ELRNZ.





Through national direction<sup>24</sup>, central government can influence planning outcomes by providing direction and guidance to councils on matters of national significance. This type of direction can influence and improve planning practice and align it with the Governments' overarching resource management objectives.

The soil science community and some councils have outlined the need for national direction for highly productive land to better manage this resource of national significance to ensure it is available for primary production now and for future generations.<sup>25</sup> The *Our land 2018* report brought a range of evidence together that supports the need for national direction on highly productive land.

National direction on highly productive land could provide councils with a clearer framework for managing the soil resource and assessing trade-

offs between competing land uses – in particular, urban expansion and rural lifestyle development. This would also respond to concerns raised by some councils that it is difficult to provide sufficient weight to highly productive land when making planning decisions.

The RMA framework requires decision-makers to comprehensively consider development alternatives rather than focusing on the best value use for each single parcel. National direction for highly productive land could provide clear direction that urban development should be avoided on highly productive land where other feasible options exist. It would enable councils to better consider how they can manage the availability of the highly productive soil resource for primary production while continuing to allow councils to provide for urban capacity in an appropriate manner.

<sup>24</sup> National direction refers to tools under the RMA to direct how the Act should be administered and applied. The tools include national environmental standards, national policy statements, national planning standards and regulations made under section 360.

<sup>25</sup> Curran-Cournane F, Golubiewski N, Buckthought L. (2018). The odds appear stacked against versatile land: can we change them?, *New Zealand Journal of Agricultural Research*, DOI: 10.1080/00288233.2018.1430590

# 4 Options for solving the problem

**This chapter provides an overview of the key options considered to address the problems outlined in Chapter 3, and a high-level assessment of those options.**

There are tools within the RMA that can be used to provide national direction on a particular problem or matter of national significance. There are also regulatory and non-regulatory options that sit outside the RMA that can be used to provide national direction and guidance. Three options were identified as the key options to address the identified problems:

- A National Policy Statement for Highly Productive Land;
- National Environmental Standards for Highly Productive Land; and
- Amendments to the National Policy Statement on Urban Development Capacity 2016.

Another option considered was amending section 6 of the RMA to include the protection of highly productive land as a matter of national importance, similar to the Town and Country Planning Act 1977, which could work on its own or in conjunction with the national direction options above. However, amendments to Part 2 of the RMA would need to be considered over a longer timeframe as part of the wider review of the resource management system and would take many years to achieve the desired outcomes through RMA plan provisions and resource consent decisions. As such, this option was not identified as a key option at this stage but may be considered as part of future resource management reform.

## 4.1 Option one: National Policy Statement

National Policy Statements (NPS) set out objectives and policies for matters of national significance relevant to achieving the purpose of the RMA. An NPS may also state objectives, policies and methods and other requirements that councils must include in their policy statements and plans. Councils must “give effect to” relevant NPS provisions through their regional policy statements and plans (section 62(3), 67(3)(a) and 75(3)(a)). Consent authorities must also have regard to relevant provisions of an NPS when considering an application for resource consent (section 104(1)(b)(iii)).

An NPS for highly productive land could provide clear direction to councils on how to identify and manage highly productive land and address the key land use planning issues outlined in Chapter 3. An NPS would provide a clear signal to councils that highly productive land is a nationally significant, finite resource and would provide clear direction that it should be considered as such within the RMA planning framework. This would help to ensure the benefits and value of highly productive land are given more weight in land use planning and decision-making. A key benefit of this option is that an NPS still allows for some flexibility for councils to respond to local pressures and priorities when giving effect to the objectives and policies in the NPS.

The main limitation of this option is that there is less certainty the desired outcomes will be achieved as the NPS is still subject to interpretation at the local level. The room for interpretation and variability will be determined by the level of direction provided in the NPS. Prescriptive objectives and policies can leave limited scope for interpretation and will limit this risk. Another limitation is that it could be up to 10 years until councils give effect to the NPS through amendments to their policy statements and plans (depending on the timeframes prescribed in the NPS), and the associated implementation costs for councils. However, these limitations can be mitigated through requiring objectives and policies in the NPS to be directly inserted into plans and policy statements (in accordance with section 55(2) of the RMA) and through aligning implementation timeframes with the implementation of other national direction.

## 4.2 Option two: National Environmental Standards

National Environmental Standards (NES) are regulations made under section 43 of the RMA. NES prescribe standards for environmental matters and can operate as plan rules to provide greater consistency and certainty in resource consent requirements nationally. NES generally prevail over plan rules, except where an NES expressly states plan rules can be more stringent or lenient.

An NES for highly productive land would provide more prescriptive protection of highly productive





land and a nationally consistent set of regulations to manage different land use activities on highly productive land. For example, an NES for highly productive land could permit primary production activities on highly productive land (subject to appropriate conditions) and restrict non-productive and sensitive activities through a more stringent activity status. An NES could also include minimum lot size standards for subdivisions on highly productive land that apply nationally. A key benefit of this option is that an NES could have immediate effect and provide a high level of certainty and consistency in how the NES is implemented and the outcomes achieved.

The main limitation of an NES option for highly productive land is it provides limited flexibility to respond to different priorities and pressures locally. The NES could allow plan rules to be more stringent or lenient or could target certain locations, but this needs to be finely balanced if the consistency and certainty benefits of an NES are to be achieved. An NES would also need to be carefully designed to ensure it was appropriate in all locations it is applied to and does not have unintended consequences for “locking-in” certain land uses on highly productive land. Tailoring this option would likely lead to a complex and time-

consuming process. The immediate impacts on landowners would also likely be greater under this option whereas an NPS must be given effect to by councils in RMA policy statements and plans before any regulatory methods could be introduced, which gives affected landowners and stakeholders a chance to input into the process.

### 4.3 Option three: Amendments to the National Policy Statement on Urban Development Capacity

Option three would involve amendments to the National Policy Statement on Urban Development Capacity 2016 (NPS-UDC) to explicitly require highly productive land to be considered when identifying new urban areas to meet the NPS-UDC requirements. For example, there could be a requirement in the NPS-UDC to consider highly productive land when identifying areas that future urban areas must avoid within future development strategies. This option would be in addition to the current changes proposed to the NPS-UDC through the proposed National Policy Statement on Urban Development (NPS-UD) outlined in the discussion document which is available on the [Ministry of Housing and Urban Development's website](#).

This option could be effective in dealing with urban encroachment onto highly productive lands, which is one of the problems identified in Chapter 3. A key benefit of this option is it would use existing national direction to address this problem rather than introduce another national instrument into the RMA planning framework. This would likely lead to reduced implementation costs and effort for councils and reduce the potential for inconsistencies between different national instruments. This option would also focus certain policies in the NPS to “high growth areas” where the pressures on the highly productive land resource are greater.

However, there are significant limitations of this option. This approach would only address one aspect of the problem (urban expansion). It would have limited ability to address fragmentation of highly productive land through rural lifestyle development which is a key problem this proposed national direction seeks to address, or inappropriate use of highly productive land by rural ancillary activities. Additionally, many policies of the current NPS-UDC and proposed NPS-UD do not apply to all councils. In particular the NPS-UDC only requires councils in high-growth urban areas to produce future development strategies. This approach is proposed to be retained within the proposed NPS-UD with the requirements only applying to “Major Urban Centres”. This option would therefore not result in the consistent protection of highly productive land from urban expansion and fragmentation across New Zealand.

At this time, we consider these limitations would be a barrier for this option to achieve the objectives of the proposed NPS. It may be appropriate to revisit this following public consultation if feedback suggests it would be beneficial to expand the scope of the proposed NPS-UD and merge these two instruments.

## 4.4 Criteria for assessing the options

We used the following criteria to assess the three options above:

- **Effectiveness** – to address inadequate consideration of highly productive land (the key problem outlined in Chapter 3);
- **Level of direction** – the ability for councils to direct actions and outcomes, increasing certainty and consistency in implementation;

- **Flexibility** – to allow local authorities to respond to local priorities, pressures and community expectations and balance other national priorities;
- **Complexity and costs** – the complexity, cost and effort to develop (central government) and implement (councils) the option; and
- **Timeliness** – the ability to be developed and implemented in an appropriate timeframe (allow for implementation of the desired outcome in the shortest timeframe).

Table 1 provides a summary of the high-level assessment of the status quo and the three options against these criteria with more weighting given to the first effectiveness. Appendix A provides some narrative on how each criteria was assessed.

## 4.5 Preferred option – a National Policy Statement

Based on the assessment outlined in the sections above and in Appendix A, the Government considers that a stand-alone NPS is the most appropriate way to address the identified problems and achieve the policy objective. However, feedback from public consultation may result in the identification of a new preferred option.

A stand-alone NPS is preferred as it has the potential to provide considerable improvements in how highly productive land is considered and managed by councils. An NPS can also provide a higher degree of flexibility for councils to consider and respond to local circumstances when giving effect to the NPS, while still providing clear direction on the outcomes that need to be achieved.

In addition to the criteria outlined in section 4.4, we considered the potential risk any option for national intervention for highly productive land may constrain the supply of land for urban development. Managing this risk requires a flexible approach that allows councils to make land available for urban development and to provide for development capacity to meet demand while also considering the benefits in retaining highly productive land for primary production. Flexibility is one of the key factors in identifying an NPS as the preferred option to avoid the potential risks of restricting urban development and conflicting with the Government’s housing objectives. An NPS would also need to focus on redirecting (rather than constraining) urban growth to ensure urban development capacity is not impacted.



The proposal outlined in Chapter 5 seeks to manage these trade-offs and support the wider urban work programme agenda by providing councils with an ability to apply discretion around the

most appropriate use of land based on a clear and transparent consideration of benefits, costs and risks.

**Table 1: High-level assessment of the different options for national direction**

Option	Effectiveness to address problem	Level of direction	Flexibility	Complexity and costs (to develop and implement)	Timeliness (to develop and implement)
Status quo	✗	✗	✓	✓	✓
Option one: NPS	✓	~	✓	~	✓
Option two: NES	~	~	✗	~	~
Option three: Amend NPS-UDC	~	~	✓	✓	✓

**Table key:**

✓ meets criteria

~ partially meets criteria

✗ does not meet criteria



## Questions

Which option do you think would be the most effective to address the problems identified in Chapter 3? Why?

Are there other pros and cons of a National Policy Statement that should be considered?

Are there other options not identified in this chapter that could be more effective?









# 5 How a National Policy Statement would work

## 5.1 Overview of the proposal

This chapter provides an overview of the proposal – a National Policy Statement (NPS) for Highly Productive Land, including the overall purpose, scope and focus of the proposed NPS. It also outlines the proposed objectives and policies in the NPS and the outcomes sought from those provisions. Draft wording is provided for the NPS objectives and policies to assist with obtaining feedback. This wording will be refined through the public consultation process. We are most interested in your feedback on the policy intent of the objectives and policies rather than feedback on the specific wording of the proposed NPS objectives and policies. To assist with providing feedback, key questions are included throughout this chapter.

## 5.2 Purpose of proposed National Policy Statement

The overall purpose of the proposed NPS is to improve the way highly productive land is managed under the RMA to:

- recognise the full range of values and benefits associated with the use of highly productive land for primary production;
- maintain the availability of highly productive land for primary production for future generations; and
- protect highly productive land from inappropriate subdivision, use and development.

The objective of the proposed NPS is not to provide absolute protection of highly productive land. The reference to maintaining the availability of highly productive land also does not imply there should be no net loss of highly productive land within a region or district. In some circumstances, this would not be practical due to population growth pressures and other constraints on where urban development can be located. Rather, the purpose of

the proposed NPS is to require councils to consider the highly productive land resource within their region or district to ensure its availability for primary production now and for future generations.

The reference to “highly productive land” recognises there are other factors in addition to soil quality that determine the productive capacity of land for primary production<sup>26</sup>. While most councils define highly productive soils based on the LUC (typically Classes 1–3 or 1–2), there are lower classes of LUC land (4–6) that can be highly productive. The proposed NPS includes requirements for councils to identify highly productive land based on a set of defined criteria (soil capability, climate, and the size and cohesiveness of the area) with LUC Classes 1–3 being the default criteria that determines what is highly productive land for the purposes of the proposed NPS until this process has been undertaken. This is discussed further below in section 5.4 in relation to proposed Policy 1.

A key focus of the NPS is to protect highly productive land from “inappropriate subdivision, use and development”, which will help to maintain the availability of highly productive land for primary production for future generations. What is appropriate and inappropriate will depend on context and actual impacts of development on highly productive land. The proposed NPS provides direction on what is “inappropriate”, which would then be defined further through regional policy statements and district plans. For example, new urban development may be appropriate on highly productive land when it is the only feasible option and alternative locations and options (e.g. intensification) have clearly been considered. Conversely, uncoordinated urban expansion and sporadic “rural lifestyle development”<sup>27</sup> on highly productive land would generally be considered inappropriate under the proposed NPS as it is an inefficient use of highly productive land.

<sup>26</sup> Refer *Canterbury Regional Council v Selwyn District Council*, (1996) 2 ELRNZ 395.

<sup>27</sup> Rural lifestyle development is proposed to be defined in the NPS as follows: “Subdivision and development where the primary purpose is rural-residential or rural lifestyle within a rural environment with a lot smaller than those of the General Rural and Rural Production zones, typically in the range of 0.2 ha to 8 hectares”.

The proposed NPS is focused on maintaining highly productive land for “primary production”<sup>28</sup> into the future to ensure the NPS does not favour a particular primary sector at the expense of others. The focus is on managing certain types of development that typically result in the irreversible loss in availability of highly productive land for primary production. Generally, the conversion of highly productive land to urban land uses (residential, commercial, industrial) results in the irreversible loss of that land for primary production for current and future generations. The conversion of highly productive land to rural lifestyle development may not be strictly irreversible from a physical perspective, but the higher land prices and smaller economic units means a return to primary production is generally very unlikely.



## Questions

Should the focus of the National Policy Statement be on versatile soils or highly productive land more broadly? Why/why not?

Should the focus of the National Policy Statement be on primary production generally or on certain types of food production activities? Why/why not?

## 5.3 The scope of the proposal

The proposed NPS addresses the three key land-use planning issues affecting highly productive land (as outlined in Chapter 3). The scope of the proposed NPS does not address:

- **soil quality:** This will be undertaken as a separate piece of work commencing in 2020; or
- **regional constraints to land use flexibility** (e.g. constraints on horticultural production for water

quality purposes): this is being addressed as part of the Essential Freshwater work programme.

The proposed NPS is primarily directed at regional policy statements and district plans. It sets out considerations and requirements to be included in regional policy statements and district plans to manage urban development and subdivision on highly productive land.

The proposed NPS also includes policies to guide decision-making on:

- plan changes to rezone highly productive land to an urban use or more densely populated rural-residential or rural-lifestyle use; and
- resource consent applications for urban development and subdivisions on highly productive land.

These two policies, the objectives, and the policy relating to urban expansion<sup>29</sup> would apply when the NPS comes into effect. This will ensure the proposed NPS has some immediate effect on land-use planning decisions in the transitional period until local authorities give effect to the policies in the proposed NPS that require highly productive land to be identified and/or changes to district plans. The NPS could also require certain policies to be directly inserted into policy statements and plans without using the Schedule 1 process in accordance with section 55(2) of the RMA, to assist with timely and efficient implementation.

The proposed NPS would require highly productive land to be spatially identified based on a set of mandatory criteria and optional considerations. When identifying highly productive land, we propose that it would exclude urban areas. These would be defined in a manner consistent with other national direction as areas within a district plan as being primarily zoned for residential, industrial, or commercial activities<sup>30</sup>.

Consideration has also been given to whether the proposed NPS should apply to areas of land that

<sup>28</sup> This is proposed to be defined in the NPS in a consistent manner to the primary production definition in the Planning Standards but excluding aquaculture, mining and quarrying. Refer to section 5.6 for the draft definitions in the NPS.

<sup>29</sup> Urban expansion is proposed to be defined in the NPS as follows: “means a rezoning or development proposal that would result in land use change from a primarily rural use to a primarily urban use (residential, industrial or commercial)”. The proposed policy focused on urban expansion (Policy 3) would therefore apply to rezoning to urban use initiated by a council or private party, or a development proposal that would result in a land use change on highly productive land from primarily rural to urban use.

<sup>30</sup> Urban area is proposed to be defined in a consistent manner to the urban area definition in the National Environmental Standards for Plantation Forestry 2017 as follows: “Urban area a) means an area identified in a district plan or proposed district plan as being primarily zoned for residential, industrial, or commercial activities, together with adjoining special-purpose and open-space zones, however described; but does not include an area zoned primarily for rural or rural-residential activities, however described”.



have been identified as future urban areas in non-statutory plans or future urban zones in district plans. Future urban areas are often identified by councils when undertaking strategic planning exercises and some district plans (e.g. Auckland Unitary Plan) also include future urban zones to provide certainty about where future urban growth will occur.

Excluding future urban areas from the proposed NPS would ensure this does not undermine existing spatial planning work councils have done with their communities to plan for and accommodate urban growth. While urban development is not enabled until the district plan provides for such development, the identification of future urban areas through a strategic planning process and future urban zones sends a clear signal to landowners and developers of where future growth can occur. Individuals, developers and councils will make investment decisions on this basis.

The proposed NPS could also set some clear parameters where the NPS would exclude identified future urban areas and zones. For example, the proposed NPS could not apply to future urban zones in district plans (which have been subject to a full RMA plan change process) and it could also not apply to future urban areas identified through

non-statutory strategic documents. The latter would need to be council initiated, subject to public consultation, and formally adopted by council prior to the NPS being gazetted, to ensure it has been through a robust process.

The preferred option at this stage is for the proposed NPS to exclude future urban areas identified in district plans and not exclude future urban areas identified in non-statutory strategic documents. This will provide councils with the flexibility to reconsider future urban areas in non-statutory documents in light of the proposed NPS. It would also avoid the risk of broad indicative future urban areas being excluded from the scope of the proposed NPS. Specific feedback on this approach is sought in the questions below.

The proposed NPS could also state that land parcels under a certain threshold that are unlikely to be productive (e.g. two–four hectares) are not considered as highly productive land under the proposed NPS. However, it is important to ensure this does not lead to perverse outcomes as some forms of primary production can be highly productive on smaller lots. Feedback on this potential exclusion is sought in the questions below.



## Questions

Do you support the scope of the proposal to focus on land use planning issues affecting highly productive land? Why/why not?

What matters, if any, should be added to or excluded from the scope of the National Policy Statement? Why?

Should future urban zones and future urban areas be excluded from the scope of the National Policy Statement? What are the potential benefits and costs?

Should the National Policy Statement apply nationally or target areas where the pressures on highly productive land are greater?

### Specific

- How should the National Policy Statement best influence plan preparation and decision-making on resource consents and private plan changes?
- Should the National Policy Statement include policies that must be inserted into policy statements and plans without going through the Schedule 1 process? What are the potential benefits and risks?
- What areas of land, if any, should be excluded from the scope of the proposed National Policy Statement? Why?

## 5.4 The proposed National Policy Statement

### Objectives

We propose the NPS includes three objectives:

- **Objective 1:** Recognising the benefits of highly productive land;
- **Objective 2:** Maintaining the availability of highly productive land; and
- **Objective 3:** Protection from inappropriate subdivision, use and development.

Table 2 below provides example wording for these proposed objectives. There is naturally a degree of overlap between the three objectives and they will work together to achieve the outcomes sought through the proposed NPS.

The policy intent of Objective 1 is to ensure the long-term values and benefits associated with using highly productive land for primary production are better recognised in RMA planning and decision-making. This responds to concerns the long-term, aggregate benefits of protecting highly productive land for primary production are often undervalued compared to the short-term and site specific benefits associated with urban development. The values and benefits of highly productive land can include food production and supply, economic and employment benefits, and

social cohesion (as outlined further in section 2.2). It is expected that councils will articulate the key values and benefits associated with highly productive land within the context of their region or district to give effect to Objective 1 and ensure these values and benefits are considered in land-use planning and decision-making.

The intent of Objective 2 is to ensure the availability of highly productive land for primary production is maintained for future generations. This does not imply a no net loss requirement. It would require councils to proactively consider and manage the highly productive land resource within their region or district to ensure this can be used for primary production now and into the future. In practice, this means development that leads to the irreversible loss of highly productive land for primary production should be avoided where other feasible options exist.

Objective 3 provides direction to all decision-makers to ensure highly productive soils are protected from “inappropriate” subdivision, use and development through avoiding certain types of development and adverse effects. This will help to maintain the availability of highly productive land for primary production (Objective 2).

The draft wording for Objective 3 provides an indication of what is “inappropriate” subdivision, use and development (e.g. fragmentation, uncoordinated<sup>31</sup> urban development) while leaving

<sup>31</sup> Uncoordinated development would typically capture urban development that has not been subject to a strategic planning process, such as certain private plan changes and applications for ad hoc urban development on highly productive land.

**Table 2: Proposed wording for NPS**

#### **Objective 1: Recognising the benefits of highly productive land**

To recognise and provide for the value and long-term benefits of using highly productive land for primary production.

#### **Objective 2: Maintaining the availability of highly productive land**

To maintain the availability of highly productive land for primary production for future generations.

#### **Objective 3: Protecting from inappropriate subdivision, use and development**

To protect highly productive land from inappropriate subdivision, use and development, including by:

- avoiding subdivision and land fragmentation that compromises the use of highly productive land for primary production;
- avoiding uncoordinated urban expansion on highly productive land that has not been subject to a strategic planning process; and
- avoiding and mitigating reverse sensitivity effects from sensitive and incompatible activities within and adjacent to highly productive land.





some flexibility for councils to determine this on a case-by-case basis. Case law<sup>32</sup> has confirmed that reference to “inappropriate” within a provision means there may be appropriate development in particular circumstances. An assessment of what is appropriate and inappropriate development is heavily influenced by context and should be assessed by referring to what is sought to be protected. For example, providing for nationally significant infrastructure on highly productive land may be appropriate where this can largely co-exist with using highly productive land for primary production, there are significant public benefits from that infrastructure, and there is a functional need to be located in that environment.

<sup>32</sup> This is in the context of section 6(a) and 6(b) of the RMA. Refer *Environmental Defence Soc Inc v The New Zealand King Salmon Co Ltd* [2014] NZSC 38.



## Questions

What would an ideal outcome be for the management of highly productive land for current and future generations?

### Specific

- What level of direction versus flexibility should the objectives provide to maintain the availability of highly productive land for primary production?
- Should the objectives provide more or less guidance on what is “inappropriate subdivision, use and development” on highly productive land? Why/why not?

# Policies

## Policy 1 – Identification of highly productive land

The proposed NPS would include a policy and supporting criteria that would require regional councils to identify highly productive land. The proposed NPS also includes a default definition of highly productive land based on LUC Classes 1 to 3 that would apply in the interim period until councils have identified highly productive land<sup>33</sup>. This is important to allow councils sufficient time to undertake necessary work to identify highly productive land and to ensure some of proposed policies (i.e. policies 3, 6 and 7) have immediate effect when the NPS is gazetted.

Proposed Policy 1 would require regional councils to define the spatial extent of highly productive land in their region and this will inform the application of policies that relate to its management. Identifying highly productive land at the regional level through the regional policy statement (RPS) will allow wider consideration of highly productive land along with the urban expansion pressures and cross-boundary issues between districts in the region. This work could occur alongside complementary work to prepare future development strategies under the NPS-UDC and encourage a broader spatial planning approach. Applying the requirement to identify highly productive land at the regional level may also:

- encourage collaborative planning between councils within regions and greater sharing of resources; and
- allow regional councils to incorporate this work into the adoption of the national planning standards in their RPS which needs to be done by April 2022.

Another benefit of this approach is that only Ministers and territorial authorities in the region can request a change to a regional policy statement, meaning highly productive land identified through an RPS could not be challenged or changed through private plan change requests which can occur for district plans.

A disadvantage of this approach is a longer time lag before the proposed NPS is given effect to, particularly through regulatory methods (e.g. rules controlling subdivisions) in district plans. To mitigate this risk, the NPS would set sequenced timeframes for regional councils and territorial authorities to give effect to Policy 1 (as outlined in the NPS timeframes section below) and apply a default definition of highly productive land until this policy had been given effect to.

The proposed NPS could also allow district plans to identify highly productive land before it is identified in the RPS (e.g. where an RPS has recently been made operative). We welcome feedback on this option.

The proposed NPS would set out the criteria to identify highly productive land based on the key factors that make land versatile and productive for primary production (as discussed in section 2.3). These are:

- the capability and versatility of the land to support primary production (based on the LUC classification);
- the suitability of the climate to support primary production, particularly crop production (e.g. a frost-free climate); and
- the size and cohesiveness of the area to support primary production. This is important to ensure the NPS does not require existing small pockets of highly productive land to be protected for primary sector use. It also allows local authorities to take a broader view of highly productive land and consider the aggregate benefits a wider area of highly productive land may generate now or in the future.

The above factors are most relevant to horticultural activities, recognising this sector is most dependent on highly productive land. The mandatory criteria are less subjective and can generally be assessed using existing datasets (e.g. LUC classification) and reports (e.g. NIWA climate change scenarios). The proposed NPS would also list the following as optional considerations councils may take into account when identifying highly productive land:

- a. the current or future potential availability of water;

<sup>33</sup> Draft definition as outlined in the interpretation section: Highly productive land means land that has been identified as highly productive by a local authority in accordance with Policy 1 and Appendix A of this national policy statement. Where a local authority has not identified highly productive land in accordance with Policy 1 and Appendix A, highly productive land is a land parcel in a rural area that contains at least 50% land or 4 hectares (whichever is the lesser) of land defined as Land Use Capability 1, 2 and 3 as mapped by the New Zealand Land Resource Inventory or by more detailed site mapping.





- b. access to transport routes;
- c. access to appropriate labour markets;
- d. supporting rural processing facilities and infrastructure;
- e. the current land cover and use and the economic, social, environmental and cultural benefits it provides; and
- f. water quality issues or constraints that may limit the use of the land for primary production (particularly for more intensive forms of primary production).

The matters set out in clause a) to d) are factors that contribute to the productive value of land but are not always critical factors (as discussed further in section 2.3). Clause e) is intended to serve two functions:

- Allow councils to recognise where the current use of a wider area of highly productive land is generating substantial benefits to the economy and community (e.g. existing food growing hubs and high-value horticulture land). This will then enable them to give greater protection to these

areas when giving effect to the policies in the proposed NPS.

- Recognise there are situations where it may not be appropriate to identify highly productive land for primary production as the current use of that land provides other benefits (e.g. biodiversity protection).

Clause f) recognises that highly productive land may be located in catchments with water quality issues, and constraints on the use of that land for primary production may be needed to maintain or improve water quality. This is important to align with the NPSFM and the Government's *Essential Freshwater Programme*.

The identification of highly productive land will require substantial effort from councils. The LUC scale of mapping (1:50,000 to 1:63,000) is not of sufficient resolution to accurately identify where mapped LUC areas sit in relation to property boundaries and it will require considerable effort to undertake this work at the regional or district level. We propose the Government provides guidance and technical assistance to councils to assist with this

work, focusing on those regions with the greatest pressures on the highly productive land resource.

We are also seeking feedback on whether the proposed NPS should limit key policies to regions and districts where the pressures on the highly

productive land resource are greatest (refer to implementation section 5.6 below).

Draft wording for proposed Policy 1 and the criteria to identify highly productive land is provided below.

## Proposed Policy 1: Identification of highly productive land

1.1 Regional councils must identify areas of highly productive land using the criteria set out in Appendix A and:

- map each area of highly productive land; and
- amend their regional policy statements to identify areas of highly productive land within the region.

1.2 Territorial authorities must amend their district plans to identify highly productive land identified by the relevant regional council under policy 1.1.

### Appendix A: Criteria to identify highly productive land

In accordance with Policy 1, regional councils must use the following criteria to assess and identify areas of highly productive land:

- a. the capability and versatility of the land to support primary production based on the Land Use Capability classification system;
- b. the suitability of the climate for primary production, particularly crop production; and
- c. the size and cohesiveness of the area of land to support primary production.

When identifying areas of highly productive land, local authorities may also consider the following factors:

- a. [the current or potential availability of water – see question below];
- b. access to transport routes;
- c. access to appropriate labour markets;
- d. supporting rural processing facilities and infrastructure;
- e. the current land cover and use and the environmental, economic, social, and cultural benefits it provides; and
- f. water quality issues or constraints that may limit the use of the land for primary production.

Highly productive land excludes:

- a. urban areas; and
- b. areas that have been identified as future urban zones in district plans.





## Questions

If highly productive land is to be identified, how should this be done and by whom?

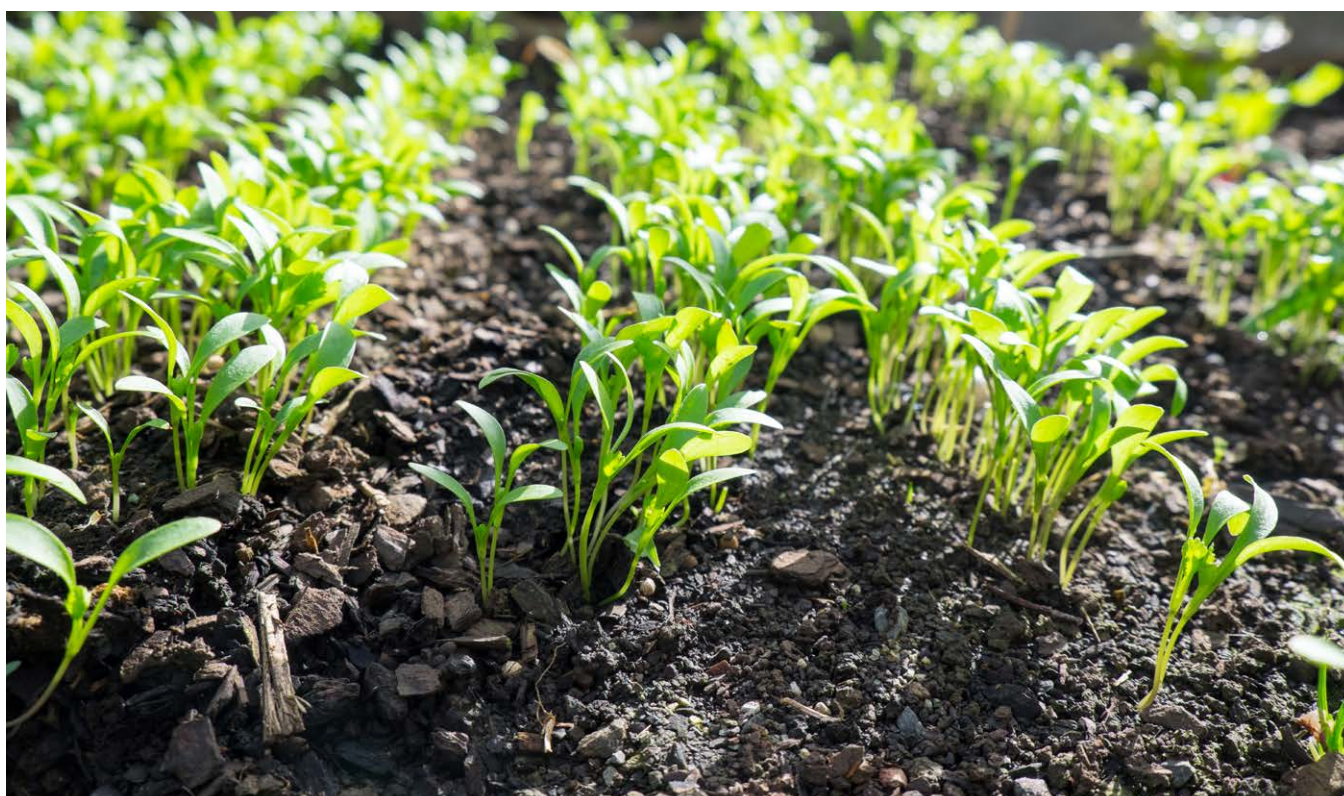
Are the proposed criteria all relevant and important considerations for identifying highly productive land? Why/why not?

### Specific: Policy 1

- What are the pros and cons of requiring highly productive land to be spatially identified?
- Is the identification of highly productive land best done at the regional or district level? Why?
- What are the likely costs and effort involved in identifying highly productive land in your region?
- What guidance and technical assistance do you think will be beneficial to help councils identify highly productive land?

### Specific: Appendix A

- Should there be a default definition of highly productive land based on the LUC classification until councils identify this? Why/why not?
- What are the key considerations to consider when identifying highly productive land? What factors should be mandatory or optional to consider?
- What are the benefits and risks associated with allowing councils to consider the current and future availability of water when identifying highly productive land? How should this be aligned with Essential Freshwater Programme?
- Should there be a tiered approach to identify and protect highly productive land based on the LUC class (e.g. higher levels of protection to LUC 1 and 2 land compared to LUC 3 land)? Why/why not?



## Policy 2 – Maintaining highly productive land for primary production

Once highly productive land has been identified, we propose that councils would be required to maintain that land for primary production in accordance with the policies in the NPS. This would include an overarching policy (proposed Policy 2) that provides clear direction on how land identified as highly productive is managed and protected to remain productive and available for primary production. This would be supported by more specific policies targeted at urban expansion, fragmentation and reverse sensitivity.

Overarching Policy 2 is intended to implement Objectives 2 and 3 by requiring councils to specify

what is “inappropriate subdivision, use, and development on highly productive land” in the context of their region or district, and set out methods to protect highly productive land from such subdivision, use and development. It also allows councils to consider the current and future contribution of a wider area of highly productive land to the economy and community (e.g. existing horticulture food hubs) and give greater protection to those areas. The intent is for regional councils (through their RPS) to set the broad framework to manage highly productive land (once this has been identified) and territorial authorities would implement this framework through regulatory methods. Example wording for this overarching policy is provided below.

### Proposed Policy 2: Maintaining highly productive land for primary production

Local authorities must maintain the availability and productive capacity\* of highly productive land for primary production by making changes to their regional policy statements and district plans to:

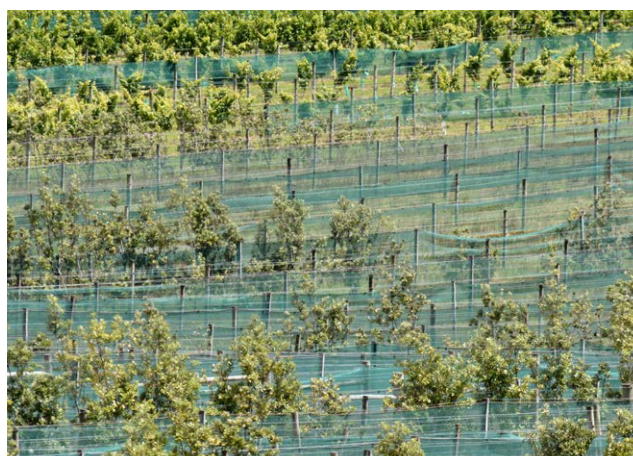
- prioritise the use of highly productive land for primary production
- consider giving greater protection to areas of highly productive land that make a greater contribution to the economy and community;
- identify inappropriate subdivision, use and development of highly productive land; and
- protect highly productive land from the identified inappropriate subdivision, use and development.

\*Note the draft definition for productive capacity is: “means, in relation to highly productive land, the physical qualities of the land to support primary production and generate the most economic output. This includes consideration of physical constraints on use of land for primary production (e.g. lot size, presence of structures and buildings) but does not include consideration of wider soil quality issues”.



### Question

- What are the pros and cons associated with prioritising highly productive land for primary production?





## Alignment with the Urban Growth Agenda

The Government's Urban Growth Agenda work programme aims to remove barriers to the supply of land and infrastructure and make room for cities to grow out and up. This work programme focuses on five areas, two of which (Urban Planning, and Spatial Planning) have strong linkages to this proposal.

While the Urban Planning pillar component of the Urban Growth Agenda work programme has a focus on making room for cities to grow, it also seeks to encourage quality built environments and enable strategic integrated planning. A large part of this work is being progressed through the proposed National Policy Statement on Urban Development (NPS-UD) which the Government is consulting on alongside this proposal.

The proposed NPS-UD would broaden existing requirements for councils to undertake strategic planning through developing a future development strategy. Future development strategies require councils to demonstrate how and where they will provide for urban development to meet the needs of current and future communities. While the NPS-UD will continue to only require councils in major urban centres to produce a future development strategy, it is an approach encouraged for all councils experiencing growth.

Producing a future development strategy and other strategic planning processes provides the opportunity to align identifying urban growth areas and identifying

areas where urban development should be avoided. This proposal will require councils to identify highly productive land where urban development and other incompatible non-primary production activities should be avoided. Councils should therefore consider undertaking these assessments together to streamline processes, improve their spatial planning frameworks and improve planning outcomes. The Government considers the requirement to identify highly productive land under this proposal will support councils to identify areas where urban development should be avoided through their future development strategy while allowing for new urban areas on highly productive land in appropriate circumstances.

The Spatial Planning pillar within the Urban Growth Agenda seeks to build a stronger relationship between central and local government to develop integrated spatial planning. Spatial planning is a collaborative exercise to produce an evidence-based, future-focused long-term strategy for an area. A spatial plan would outline the high-level geographic direction for future urban growth and set the overarching strategic direction for a region. The initial focus of the Urban Growth Agenda spatial planning work is on the Auckland–Hamilton corridor. This proposal would support councils in considering the strategic importance of highly productive land when undertaking spatial planning exercises.



### Questions

- Do you think there are potential areas of tension or confusion between this proposed National Policy Statement and other national direction (either proposed or existing)?
- How can the proposed National Policy Statement for Highly Productive Land and the proposed National Policy Statement on Urban Development best work alongside each other to achieve housing objectives and better management of the highly productive land resource?

### Policy 3 – New urban development on highly productive land

The proposed NPS would include clear policy direction on how highly productive land should be considered when planning for new urban development and growth. This would include direction to councils on how to consider highly productive land when identifying new areas for urban growth (including when preparing future development strategies) to give effect to the proposed NPS-UD, and encourage a broader spatial planning approach. It could also apply to private plan changes to rezone highly productive land to urban use in addition to the specific policy outlined below (refer Policy 6). Draft wording for this policy is provided below.

Consistent with Objective 3, the policy intent of proposed Policy 3 is not to prevent all new urban development and growth from ever occurring on highly productive land. This would not be practicable in some circumstances as many of New Zealand's urban centres are surrounded by highly productive land. Urban expansion onto this land around the existing town centre is likely to be the best outcome from both an urban and economic perspective.

The policy intent of Policy 3 is to provide clear direction that new urban development should generally avoid highly productive land when other

feasible options exist. It will require transparent planning and decision-making based on a clear assessment of costs, benefits and trade-offs. Councils will be required to demonstrate they have thoroughly considered alternative locations and options (i.e. intensification). They will also need to have considered the full range of benefits and costs (social, economic, environmental and cultural) arising from urban development on highly productive land compared to the long-term, intergenerational benefits that would occur from the continued use of that land for primary production. This would form part of the section 32 evaluation for proposed plans and plan changes and ensure these considerations form a key focus of the evaluation.

This part of the NPS is strongly linked to the requirements in the proposed NPS-UD, and intends to provide clarity on how highly productive land should be considered when giving effect to the proposed NPS-UD. For example, councils will need to demonstrate how highly productive land has been considered when providing for development capacity and identifying new urban areas in future development strategies. They will also need to demonstrate that alternative options and locations are not feasible to meet demand for dwellings and business land (in accordance with the NPS-UDC methodologies).

### Proposed Policy 3: New urban development and growth on highly productive land

Urban expansion must not be located on highly productive land unless:

- a. there is a shortage of development capacity to meet demand (in accordance with the NPS-UDC methodologies and definitions); and
- b. it is demonstrated that this is the most appropriate option based on a consideration of:
  - a cost-benefit analysis that explicitly considers the long-term costs associated with the irreversible loss of highly productive land for primary production;
  - whether the benefits (environmental, economic, social and cultural) from allowing urban expansion on highly productive land outweigh the benefits of the continued use of that land for primary production; and
  - the feasibility of alternative locations and options to provide for the required demand, including intensification of existing urban areas.





## Questions

How should highly productive land be considered when identifying areas for urban expansion?

### Specific

- How can this policy best encourage proactive and transparent consideration of highly productive land when identifying areas for new urban development and growth?
- How can the proposed National Policy Statement for Highly Productive Land best align and complement the requirements of the proposed National Policy Statement on Urban Development?

## Policy 4 – Rural subdivision and fragmentation

The proposed NPS contains a policy specifically focused on rural subdivision and fragmentation. Draft wording for this policy is provided below.

The intent of proposed Policy 4 is to build on current best practice in managing the rural land resource. Many district plans include provisions to manage fragmentation of rural land and highly productive land. This includes distinct rural zones to consolidate rural lifestyle development in specific areas, often closer to urban areas.

The proposed policy is intended to ensure councils take a proactive approach to managing fragmentation of highly productive land in rural areas, including through the use of minimum lot size standards for subdivisions that retain the productive capacity of highly productive land. Guidance on appropriate minimum lot size standards for subdivision on highly productive land will be developed to support the implementation of Policy 4, recognising that some flexibility is needed to determine this at the local level as some forms of primary production can be highly productive on small lots.

Proposed Policy 4(b) recognises that councils have a range of options to manage rural fragmentation from subdivision in addition to minimum lot sizes. This includes using a stringent activity status for subdivisions on highly productive land supported by clear objectives and policies to protect the productive capacity of that land, and requirements to design subdivisions to protect areas of highly productive land within the lot. In addition, Policy 4(c) will enable councils to consider the effects of fragmentation on productive capacity at a broader landscape level. This will help to ensure primary production in a geographic area can be sustained at a level that supports the wider primary sector value chain (including goods and service providers).

Depending on localised factors (e.g. extent of urban expansion pressures, existing fragmentation), councils may want to consider incentives to help reverse historic fragmentation. This could include transferable development rights to encourage land owners to amalgamate titles to create larger productive land units on highly productive land in exchange for increased development rights in more suitable locations (e.g. a rural-residential zone). However, these systems can be complex and difficult to administer and are usually only

## Proposed Policy 4: Rural subdivision and fragmentation

Territorial authorities must amend their district plans to manage rural subdivision to avoid fragmentation and maintain the productive capacity of highly productive land, including by:

- a. setting minimum lot size standards for subdivision located on highly productive land to retain the productive capacity of that land;
- b. incentives and restrictions on subdivisions to help retain and increase the productive capacity of highly productive land; and
- c. directing new rural lifestyle development away from areas of highly productive land.

warranted in areas of highly productive land that have been highly fragmented. Guidance would be provided to help councils introduce appropriate mechanisms into their plans to retain and increase the productive capacity of highly productive land. This proposed policy is also intended to encourage territorial authorities to manage the rural resource in a more strategic and considered manner by identifying areas where rural lifestyle development should be located and consolidated. Some councils

do this already, but practice is variable and some district plans only have one generic rural zone to manage all types of rural development. Greater national direction on this issue through proposed Policy 4 will help alleviate some of the pressures on highly productive land for rural lifestyle development and reduce the potential for conflict between rural production activities and sensitive or incompatible activities.



## Questions

How should the National Policy Statement direct the management of rural subdivision and fragmentation on highly productive land?

### Specific

- Should the National Policy Statement provide greater direction on how to manage subdivision on highly productive land (e.g. setting minimum lot size standards for subdivisions)? If so, how can this best be done?
- Should the National Policy Statement encourage incentives and mechanisms to increase the productive capacity of highly productive land (e.g. amalgamation of small titles)? Why/why not?

## Policy 5 – Reverse sensitivity

The proposed NPS would include one policy focused on managing reverse sensitivity effects within and adjacent to highly productive land. Draft wording for this policy is provided below.

Policy 5 is intended to build on current best practice and ensure district plans include provisions to manage reverse sensitivity effects that can constrain and conflict with primary production activities using highly productive land. This is to be achieved by setting out the typical activities and effects that should be tolerated within rural productive areas, restricting new sensitive and potentially ‘incompatible activities’ on highly productive land, and through setbacks and buffers between highly productive land and adjacent residential and rural lifestyle zones.

As noted earlier in Chapter 3, the management of reverse sensitivity effects is not just about imposing constraints on new sensitive and potentially

incompatible activities. The first principle is that the activity causing the adverse effects should internalise those effects to the extent practicable. Only where established activities cannot internalise their adverse effects and the continued presence of that activity in the area is important, should this result in constraints on new sensitive and potentially incompatible activities<sup>34</sup>.

The proposed NPS includes a proposed definition for “sensitive activities”, based on existing practice (refer to interpretation section 5.5 below). The expectation is that district plans will then use this definition as part of a rule framework to restrict certain sensitive or incompatible activities (e.g. schools, retirement villages) on or adjacent to highly productive land used for primary production. It is expected that a reverse sensitivity rule framework would include (at a minimum) setbacks for sensitive activities to the boundaries of properties within areas of highly productive land, to reduce the potential for reverse sensitivity effects.

<sup>34</sup> Refer *Winstone Aggregates v Matamata-Piako DC* (2005) 11 ELRNZ.





## Proposed Policy 5: Reverse sensitivity

Territorial authorities must recognise the potential for sensitive and incompatible activities within and adjacent to areas of highly productive land to result in reverse sensitivity effects and amend their district plans to:

- identify the typical activities and effects associated with primary production activities on highly productive land that should be anticipated and tolerated in rural areas;
- restrict new sensitive and potentially incompatible activities on highly productive land to ensure these do not compromise the efficient operation of primary production activities;
- establish methods to avoid or mitigate reverse sensitivity effects including through setbacks and the design of developments; and
- establish methods to avoid or mitigate reverse sensitivity effects at the interface between areas of highly productive land and adjacent residential and rural lifestyle zones.

The policy intent of proposed Policy 5(c) is to encourage setbacks and development design to avoid or mitigate reverse sensitivity effects when new sensitive or incompatible activities are proposed within or adjacent to areas of highly productive land. The policy intent of proposed Policy 5(d) is to encourage setbacks and buffers between areas of highly productive land and adjacent residential and rural residential zones to avoid or mitigate reverse sensitivity effects at this interface, which would generally be done as part of a rezoning proposal. This could include buffer strips along boundaries adjoining areas of highly productive land and requirements to plant these strips to help avoid potential reverse sensitivity effects.



## Questions

How should the National Policy Statement direct the management of reverse sensitivity effects on and adjacent to highly productive land?

### Specific

- How can the National Policy Statement best manage reverse sensitivity effects within and adjacent to highly productive land?

## Policies 6 and 7 – Consideration of private plan changes and resource consent applications on highly productive land

The proposed NPS contains policies aimed at the considering private plan changes and resource consent applications for urban expansion and subdivision on highly productive land. These policies would give greater specificity to the decision-making frameworks in the RMA for private plan changes (Clause 25, Part 2, Schedule 1) and resource consent applications (sections 104–104D). This is explained further below.

The proposed policies directed at private plan changes and resource consent applications would have immediate effect from the date the NPS comes into effect. This means that they would apply in the interim period before councils have identified and mapped highly productive land in accordance with proposed Policy 1. As outlined in the interpretation section below, the definition of “highly productive land” is proposed below:

- **Highly productive land** means land that has been identified as highly productive by a local authority in accordance with Policy 1 and Appendix A of this National Policy Statement.

*Where a local authority has not identified highly productive land in accordance with Policy 1 and Appendix A, highly productive land is a land parcel in a rural area that contains at least 50% land defined as Land Use Capability 1, 2 and 3 as mapped by the New Zealand Land Resource Inventory or by more detailed site mapping.*

The effect of this proposed definition is that highly productive land would be defined as land containing LUC 1–3 class land in the transitional period until the relevant council identifies highly productive land in accordance with Policy 1 and Appendix A. It is expected that a site-specific LUC assessment would be required to support applications on highly productive land. Draft wording for these proposed policies is provided below.

Proposed Policy 6 is intended to provide additional direction on how to consider private plan changes in accordance with Clauses 25(2)–(4) of Schedule 1, particularly in relation to when a private plan change may be rejected under Clause 25(4). This sets out the grounds on which a private plan change request may be rejected, including whether it is in accordance with sound resource

management practice or if it would make the plan inconsistent with Part 5 of the RMA (standards, policy statements, and plans).

Proposed Policy 7 is aimed at considering resource consent applications for urban development on highly productive land. Section 104(b)(iii) of the RMA requires consent authorities to consider the relevant provisions of an NPS when considering an application for resource consent (unless the activity status of the application and matters of control or discretion preclude this). This applies to all relevant provisions in the proposed NPS. Proposed Policy 7 is a relevant consideration under section 104(b)(iii) of the RMA and is also intended to provide more direction on how to consider the effects of a proposed activity or use of highly productive land under section 104(1)(a) of the RMA.

The intent of these policies is to ensure a simple economic argument that highly productive land is worth more as urban development does not outweigh the irreversible lost value of highly productive land for primary production. It is also to ensure local authorities take a strategic approach to considering private plan changes and resource consent applications on the highly productive land resource in their region or district, rather than focus on the best use of an individual land parcel(s).

The first criteria a council should consider is whether the private plan change request or resource consent application aligns with relevant local authority plans and policies relating to urban growth, such as a structure plan for a particular area or a future development strategy to give effect to the NPS-UDC. Where the proposed plan change or resource consent application aligns with anticipated growth areas, it would be appropriate for the council to consider accepting the request or granting an application (assuming the proposal aligns with other relevant objectives and policies). However, if the proposal is not aligned with anticipated growth areas, the council should have grounds to reject the request or decline the application on the basis it is inconsistent with the objectives and policies in this proposed NPS. In some districts, there may not be any relevant strategic policies and plans relating to urban growth and highly productive land. In these circumstances, the first criteria in the proposed policies above would not be relevant.



## Proposed Policy 6: Consideration of requests for plan changes

When considering a request for a private plan change for urban expansion on highly productive land, or to rezone an area of highly productive land to rural lifestyle use, local authorities must have regard to:

- a. The alignment of the request with relevant local authority statutory and non-statutory plans and policies relating to urban growth and highly productive land;
- b. The benefits (environmental, economic, social and cultural) from the proposed use of land compared to benefits from the continued use of that land for primary production; and
- c. Whether there are alternative options for the proposed use on land that has less value for primary production.

## Proposed Policy 7: Consideration of resource consent applications for subdivision and urban expansion on highly productive land

When considering an application for subdivision or urban expansion on highly productive land, consent authorities must have regard to:

- a. The alignment of the application with relevant local authority statutory and non-statutory plans and policies relating to urban growth and highly productive land;
- b. The extent to which the subdivision or development will impact on the existing and future use of the land for primary production;
- c. The practical and functional need for the subdivision or urban expansion to occur at that location;
- d. The potential for reverse sensitivity effects and proposed methods to avoid or mitigate potential adverse effects on, and conflicts with, lawfully established activities; and
- e. The benefits (environmental, economic, social and cultural) from the proposed activity compared to the long-term benefits that would occur from the continued or potential use of the land for primary production.

Resource consent applications must include a site-specific Land Use Capability Assessment prepared by a suitably qualified expert.



## Questions

How should the National Policy Statement guide decision-making on private plan changes to rezone highly productive land for urban or rural lifestyle use?

How should the National Policy Statement guide decision-making on resource consent applications for rural lifestyle subdivision and urban expansion on highly productive land?

### Specific

- Should these policies be directly inserted into plans without going through the Schedule 1 process (i.e. as a transitional policy until each council gives effect to the National Policy Statement)? What are the potential benefits and risks?
- How can these policies best assist decision-makers consider trade-offs, benefits, costs and alternatives when urban development and subdivision is proposed on highly productive land?
- Should the policies extend beyond rural lifestyle subdivision and urban development to large scale rural industries operations on highly productive land? Why/why not?

The remaining criteria in Policies 6 and 7 would help guide decision-making on private plan changes and resource consent applications proposed on highly productive land. The intent is to ensure applicants clearly demonstrate the need for, and benefits of, the proposed development on highly productive land and that these outweigh the benefits of the continued use of the land for primary production before any private plan changes request or resource consent application is approved.

## 5.5 Interpretation

The following draft definitions are proposed to assist in the interpretation and implementation of the proposed NPS objectives and policies. They would apply unless the context would otherwise require.

**Highly productive land** means:

- a. land that has been identified as highly productive by a local authority in accordance with Policy 1 and Appendix A of this national policy statement; or
- b. where a local authority has not identified highly productive land in accordance with Policy 1 and Appendix A, a land parcel in a rural area that contains at least 50% or 4 hectares of land (whichever is the lesser) defined as Land Use Capability 1, 2 and 3 as mapped by the New Zealand Land Resource Inventory or by more detailed site mapping; but
- c. does not include urban areas or areas that have been identified as a future urban zone in a district plan or proposed district plan.

**Primary production** means:

- a. any agricultural, pastoral, horticultural, or forestry activities; and
- b. includes initial processing, as an ancillary activity, of commodities that result from the listed activities in a); and
- c. includes any land and buildings used for the production of the commodities from a) and used for the initial processing of the commodities in b); but
- d. excludes further processing of those commodities into a different product.

**Productive capacity** means, in relation to highly productive land, the physical qualities of the land to support primary production and generate the most economic output. This includes consideration of physical constraints on use of land for primary production (e.g. lot size, presence of structures and buildings) but does not include consideration of wider soil quality issues.

**Sensitive activity** means an education facility, community facility, residential activity, visitor accommodation, retirement village, health facility or hospital, marae.

**Rural area** means an area identified in a district plan or proposed district plan as a general rural zone or rural production zone, but does not include an area identified as a rural lifestyle zone (however described).

**Rural lifestyle development** means subdivision and development where the primary purpose is rural-residential or rural lifestyle use within a rural area with a lot smaller than those of the General Rural and Rural Production zones, typically in the range of 0.2–8 hectares.

**Urban area** means:

- a. an area identified in a district plan or proposed district plan as being primarily zoned for residential, industrial, or commercial activities, together with adjoining special-purpose and open-space zones, however described; but
- b. does not include an area zoned primarily for rural or rural-lifestyle activities, however described.

**Urban expansion** means a rezoning or development proposal that would result in land use change from a primarily rural use to a primarily urban use (residential, industrial or commercial).

It is also proposed that the NPS adopts a number of definitions that are used in the National Planning Standards for consistency. The key definitions in the National Planning Standards to be adopted by the NPS are outlined below.

**General rural zone** means areas used predominantly for primary production activities, including intensive indoor primary production. The zone may also be used for a range of activities that support primary production activities, including





associated rural industry, and other activities that require a rural location.

**Residential activity** means the use of land and building(s) for people's living accommodation.

**Rural lifestyle zone** means areas used predominantly for a residential lifestyle within a rural environment on lots smaller than those of the General rural and Rural production zones, while still enabling primary production to occur.

**Rural production zone** means areas used predominantly for primary production activities that rely on the productive nature of the land and intensive indoor primary production. The zone may also be used for a range of activities that support primary production activities, including associated rural industry, and other activities that require a rural location.



## Questions

- Do any of the draft definitions in the National Policy Statement need further clarification? If so, how?
- Are there other key terms in the National Policy Statement that should be defined and, if so, how?
- Should there be minimum threshold for highly productive land (i.e. as a percentage of site or minimum hectares)? Why/why not?

## 5.6 Implementation

The Government recognises that the nature of highly productive land and the pressures on it vary considerably between regions and within regions. To assist with implementation and focus efforts where the pressures on the highly productive land resource are greatest, the NPS could apply certain policies to different areas. For example, policies could be targeted to major urban centres (as defined in the proposed NPS-UD) and/or districts that have a high portion of highly productive land based on the LUC classification system.

To support the implementation of the NPS, the Government intends to establish an implementation programme that includes guidance, targeted training and monitoring. The guidance would help local authorities to identify highly productive land and to implement the policies in the proposed NPS.

## 5.7 Timeframes

The proposed NPS would set out timeframes for giving effect to certain policies, with other policies having immediate effect from the date the proposed NPS is gazetted. The proposed timeframes are as follows:

- **Proposed Policy 1.1 and 2** – regional councils must identify highly productive land no later than three years after the NPS is gazetted; and
- **Proposed Policies 1.2, 2, 4 and 5** – territorial authorities must implement these policies no later than two years after the relevant regional council identifies highly productive land in accordance with proposed Policy 1.1, or no later than five years after the NPS is gazetted.

The objectives and remaining policies in the proposed NPS would have immediate effect from the date the NPS is gazetted and would have to be implemented as soon as practicable after this date.



### Questions

What guidance would be useful to support the implementation of the National Policy Statement?

#### Specific

- Do you think a planning standard is needed to support the consistent implementation of some proposals in this document?
- If yes, what specific provisions do you consider are effectively delivered via a planning standard tool?



### Questions

- What is the most appropriate and workable approach for highly productive land to be identified by council? Should this be sequenced as proposed?
- What is an appropriate and workable timeframe to allow councils to identify highly productive land and amend their policy statements and plans to identify that land?



## 5.8 Expected costs and benefits from the proposed National Policy Statement

An assessment of the indicative costs and benefits of the proposed NPS for Highly Productive Land has been undertaken and this is available on the Ministry for Primary Industries and Ministry for the Environment websites. The indicative cost benefit analysis (CBA) includes a qualitative assessment of national costs and benefits and a quantitative assessment of costs and benefits expected from the proposed NPS based on six case studies. These case study areas<sup>35</sup> span both high and low growth urban and rural environments, differing primary sector roles within the local economy, different mixes of primary production activities, and differing extents of LUC class 1–3 resource relative to total land area.

The spatial analysis of each case study area has examined social and economic activities in each district relative to LUC class 1–3 land. It has considered the relative significance of different activities and land uses in the rural environment compared to the urban environment, and the relative significance of activities located on highly productive land versus other (less productive) land. Current patterns of lifestyle block subdivision and development has also been considered, as this is identified as the key cause of rural fragmentation and the resulting loss of productive capacity for primary production.

Future demand for lifestyle properties has been modelled in detail in each case study area and placed on the ground based on subdivision potential under operative minimum lot sizes and location preferences for lifestyle development (using current trends). The location of future subdivision relative to the HPS resource highlights the scale and significance of subdivision activity that could be redirected to less productive land under the proposed NPS. The avoided loss of primary production on highly productive land that may be subdivided under the proposed NPS compared to the status quo (based on existing plan provisions and subdivision patterns) is a key focus of the spatial analysis and monetised benefits in the indicative CBA.

The monetised results from the CBA of the six case studies found an overall moderate positive economic effect from protecting the highly productive land under the proposed NPS compared to the status quo, with a benefit–cost ratio between 1.01 ('low/medium' regulatory scenario) and 1.24 ('high' regulatory scenario). The monetised benefits relate to the avoided loss of primary production output that would occur under the proposed NPS compared to that modelled under the status quo<sup>36</sup>, and the monetised costs relate to the implementation costs for councils and costs of inputs for primary production.

It is important to note that the indicative CBA has limitations in that it was not able to monetise and quantify a number of benefits and costs. In particular, it gives no monetary value to the intrinsic value of natural capital in the form of protection of highly productive land. This challenge/limitation is always present when assessing the benefits and costs of environmental regulation.

Similarly, some key costs have not been monetised in the indicative CBA. This includes the value of sub-dividable land, as an indicator of opportunity cost to landowners from less flexibility to subdivide their property when this is identified as highly productive land. At a district level this loss of value for a single parcel may have a corresponding increase in value for parcels with subdivision potential in other parts of the district where projected growth is not constrained. As such, the indicative CBA notes there are not expected to be any net opportunity costs at the district level in most cases. Likewise, the costs of potential restrictions on urban expansion have not been quantified in the indicative CBA. These two categories of costs may be significant, depending on how councils respond to the proposed NPS. Further work to understand and quantify these potential costs will be undertaken and included in the final CBA post-consultation.

The quantitative results from the six case studies in the indicative CBA are shown in table 3 below for the two NPS scenarios. These are based on a 30-year time period and a conservative discount rate of 8 percent.

<sup>35</sup> Auckland, Waipa, Western Bay of Plenty, Horowhenua, Selwyn, and Ashburton.

<sup>36</sup> Based on an analysis of current plan provisions and a continuation of current subdivision patterns.

**Table 3: Indicative CBA (\$ million)**

		Low-medium scenario (total)	High scenario (total)
<b>Costs (\$M)</b>	Regulatory and administrative costs to councils	\$17	\$17
	Costs of resources used for primary production	\$53	\$198
	<b>Sub-total</b>	<b>\$70</b>	<b>\$215</b>
<b>Benefits (\$M)</b>	Future production protected	\$71	\$51
<b>Net benefits (\$M)</b>		\$1	\$51
<b>Cost benefit ratio</b>		1.01	1.24

The main implementation costs for regional councils of the proposed NPS is identifying and mapping highly productive land. The indicative CBA was not able to estimate costs for this spatial-economic exercise due to:

- variability of data held by individual councils;
- uncertainty on the process that councils will take for this process; and
- difficulty in separating this work from other spatial planning exercises required by various existing and proposed national direction instruments.

One potential input to that process could be more accurate soil mapping data. It was estimated that completing S-Map coverage of all LUC class 1-3 soils could, for example, cost around \$6-9M (national total). This is however only one of many inputs expected to be utilised to define HPL in each region, so actual costs are expected to be higher.

In addition, regional and district councils will need to go through a plan change process to give effect to the proposed NPS. The indicative CBA estimates these costs based on generic plan change cost information, which indicate these costs are likely to be highly variable in practice. District plan changes to give effect to the proposed NPS are estimated to have an average cost of \$1.2M and changes to regional policy statement are estimated to cost \$1.5M on average.

Key qualitative benefits identified in the indicative CBA include greater protection of the primary sector value chain, environmental benefits, improved consistency and certainty under the RMA, improved spatial planning, and better management of reverse sensitivity effects. Other qualitative costs identified in the indicative CBA include the increase in cost of preparing resource consent applications and the potential inefficiencies associated with redirecting urban development away from highly productive land.

More detailed analysis on the costs and benefits of the proposed NPS will be completed as a part of the final CBA following consultation. There will be limitations to this analysis at a national level due to uncertainty on exactly how councils will give effect to the proposed NPS, future zoning decisions made by councils, and local variability in the land uses and growth pressures that need to be considered by councils when giving effect to the proposed NPS. Finer scale analysis of costs and benefits of proposed provisions is a requirement of section 32 of the RMA that needs to be completed for any plan change to give effect to the proposed NPS.

It is also important to note that landowners do not have an unfettered right to subdivide or change the use of their land. Development rights are determined by the underlying zone rules in the district plan and within rural zones there are generally restrictions in place for subdivision and changes to urban use.<sup>37</sup>

<sup>37</sup> The use of land is subject to regulatory controls under the RMA and district plans set controls on what use can occur where. This is true of residential land, where a landowner cannot ordinarily change to commercial or industrial use. The same applies to rural land where the landowner does not have an automatic right to subdivide land into residential blocks where the land has not been rezoned for residential use. Change in land use is both restricted and enabled by the underlying zone plan rules and consent conditions under the RMA. RMA plans must also give effect to any national direction issued under the RMA and consent authorities must have regard to any relevant national direction.





Other qualitative costs identified in the indicative CBA include the increase in cost of preparing resource consent applications and the potential inefficiencies associated with redirecting urban development away from highly productive land. Further information about key findings from the indicative CBA is included under Appendix B. The full assessment is available at [www.mpi.govt.nz/HighlyProductiveLand](http://www.mpi.govt.nz/HighlyProductiveLand).

# 6 Next steps – have your say

## 6.1 Get involved – making a submission

You are invited to make a submission on the proposed National Policy Statement.

The submission period allows for consultation with the public and interest groups. During this period the Ministry for Primary Industries and the Ministry for the Environment will give presentations around the country and answer questions about the proposed National Policy Statement. These workshops will be widely advertised, including on [www.mpi.govt.nz/HighlyProductiveLand](http://www.mpi.govt.nz/HighlyProductiveLand).

The Government welcomes your feedback on this consultation document. The questions throughout the document and summarised below are a guide only. You do not have to answer all the questions, and all comments are welcome.

To ensure others clearly understand your point of view, you should explain the reasons for your views and give supporting evidence if needed.

### You can make a submission in three ways

- Use our online submission tool, available at [www.mpi.govt.nz/HighlyProductiveLand](http://www.mpi.govt.nz/HighlyProductiveLand)  
**This is our preferred way to receive submissions.**  
Download the submission form to complete and return to us. This is available at [www.mpi.govt.nz/HighlyProductiveLand](http://www.mpi.govt.nz/HighlyProductiveLand)
- If you do not have access to a computer, we can post a form to you.
- Write your own submission.

If you are posting your submission, send it to:  
Ministry for Primary Industries  
PO Box 2526  
Wellington 6140  
New Zealand.

Please include the following information with your submission:

- the title of the consultation
- your name or organisation
- your postal address
- your telephone number
- your email address.

If you are emailing your submission, send it to [soils@mpi.govt.nz](mailto:soils@mpi.govt.nz) as a:

- PDF
- Microsoft Word document (2003 or later version).

**Your submission must be forwarded in time to be received no later than 5.00pm on 10 October 2019.**

Note: All or part of any written submission (including names of submitters) may be published on the Ministry for Primary Industries website, [www.mpi.govt.nz](http://www.mpi.govt.nz), or the Ministry for the Environment's website, [www.mfe.govt.nz](http://www.mfe.govt.nz). Unless you clearly specify otherwise in your submission, the Ministries will consider that you have agreed to have your submission and your name posted on its website.

Contents of submissions may be released to the public under the Official Information Act 1982, if requested. Please let us know if you do not want some or all of your submission released, stating which part(s) you consider should be withheld and the reason(s) for withholding the information.

Under the Privacy Act 1993, people have access to information held by agencies about them. Any personal information you send with your submission will only be used in relation to matters covered by this document. In your submission, please indicate if you prefer that we do not include your name in the published summary of submissions.

## 6.2 What happens to submissions?

The Ministry for Primary Industries and the Ministry for the Environment will analyse all the submissions received and prepare report on submissions and recommendations on the submissions received.





An evaluation under section 32 of the RMA will also be prepared. The section 32 evaluation must examine the extent to which the objectives of the proposal are the most appropriate way to achieve the purpose of the RMA, and the extent to which the proposed provisions are the most efficient and effective to achieve the objectives.

The report on submissions and the section 32 evaluation will then be provided to the Minister of Agriculture and the Minister for the Environment for consideration. Once the Minister for the Environment has considered these reports and evaluations, the Minister may make changes to the proposed NPS. Once the drafting is finalised, the Minister for the Environment will recommend the Governor-General approve the NPS. It is anticipated that the NPS will be gazetted in early 2020.

### 6.3 For more information

Please direct any queries to [soils@mpi.govt.nz](mailto:soils@mpi.govt.nz)

### 6.4 Your feedback: discussion questions

Your submission may address any aspect of the proposed subject matter of the proposed NPS. The Ministry for Primary Industries and the Ministry for the Environment would also appreciate any specific comment you might have on the questions posed in the document.

#### General questions

The general questions below are included throughout the discussion document (see relevant section) and may assist when providing a submission.

### 2.3 Defining highly productive land

- What are the values and benefits associated with highly productive land?
- What are the values and benefits associated with existing food growing hubs and how can these be maximised?

#### 3.1 Problem statement

- Does the RMA framework provide sufficient clarity and direction on how highly productive land should be managed? Why/why not?
- Does the RMA framework provide sufficient clarity on how highly productive land should be considered alongside competing uses? Why/why not?
- How are values and wider benefits of highly productive land being considered in planning and consenting processes?

#### 3.2 Urban expansion on to highly productive land

- How is highly productive land currently considered when providing urban expansion? Can you provide examples?
- How should highly productive land be considered when planning for future urban expansion?

#### 3.3 Fragmentation of highly productive land

- How is highly productive land currently considered when providing for rural-lifestyle development? Can you provide examples?
- How should highly productive land be considered when providing for rural-lifestyle development?

#### 3.4 Reverse sensitivity

- How should the tensions between primary production activities and potentially incompatible activities best be managed?
- How can reverse sensitivity issues at the rural-urban interface best be managed?

#### 3.5 These issues are being seen throughout New Zealand

- Do you agree that there is a problem? Has it been accurately reflected in this document?
- Are you aware of other problems facing highly productive land?

#### 4.5 Preferred option – a National Policy Statement

- Which option do you think would be the most effective to address the problems identified in Chapter Three? Why?
- Are there other pros and cons of a National Policy

Statement that should be considered?

- Are there other options not identified in this chapter that could be more effective?

### 5.2 Purpose of the proposed National Policy Statement

- Should the focus of the National Policy Statement be on versatile soils or highly productive land more broadly? Why/why not?
- Should the focus of the National Policy Statement be on primary production generally or on certain types of food production activities? Why/why not?

#### 5.3 The scope of the proposal

- Do you support the scope of the proposal to focus on land use planning issues affecting highly productive land? Why/why not?
- What matters, if any, should be added to or excluded from the scope of the National Policy Statement? Why?
- Should future urban zones and future urban areas be excluded from the scope of the National Policy Statement? What are the potential benefits and costs?
- Should the National Policy Statement apply nationally or target areas where the pressures on highly productive land are greater?

#### 5.4 The proposed NPS

- What would an ideal outcome be for the management of highly productive land for current and future generations?

#### Policy 1: Identification of highly productive land

- If highly productive land is to be identified, how should this be done and by whom?
- Are the proposed criteria all relevant and important considerations for identifying highly productive land? Why/why not?

#### Alignment with the Urban Growth Agenda

- Do you think there are potential areas of tension or confusion between this proposed National Policy Statement and other national direction (either proposed or existing)?
- How can the proposed National Policy Statement for Highly Productive Land and the proposed National Policy Statement on Urban Development best work alongside each other to achieve housing objectives and better management of the highly productive land resource?



### **Policy 3: New urban development on highly productive land**

- How should highly productive land be considered when identifying areas for urban expansion?

### **Policy 4: Rural subdivision and fragmentation**

- How should the National Policy Statement direct the management of rural subdivision and fragmentation on highly productive land?

### **Policy 5: Reverse sensitivity**

- How should the National Policy Statement direct the management of reverse sensitivity effects on and adjacent to highly productive land?

### **Policies 6 and 7: Consideration of private plan changes and resource consent applications on highly productive land**

- How should the National Policy Statement guide decision-making on private plan changes to rezone highly productive land for urban or rural lifestyle use?
- How should the National Policy Statement guide decision-making on resource consent applications for subdivision and urban expansion on highly productive land?

### **5.6 Implementation**

- What guidance would be useful to support the implementation of the National Policy Statement?

### **Specific/technical questions**

The questions below are included in the outline of the proposed NPS (Chapter Five) and may assist technical experts when providing a submission.

#### **5.3 The scope of the proposal**

- How should the National Policy Statement best influence plan preparation and decision-making on resource consents and private plan changes?
- Should the National Policy Statement include policies that must be inserted into policy statements and plans without going through the Schedule 1 process? What are the potential benefits and risks?
- What areas of land, if any, should be excluded from the scope of the proposed National Policy Statement? Why?

#### **5.4 The proposed NPS**

- What level of direction versus flexibility should the objectives provide to maintain the availability of highly productive land for primary production?

- Should the objectives provide more or less guidance on what is “inappropriate subdivision, use and development” on highly productive land? Why/why not?

#### **Specific questions – Policy 1**

- What are the pros and cons of requiring highly productive land to be spatially identified?
- Is the identification of highly productive land best done at the regional or district level? Why?
- What are the likely costs and effort involved in identifying highly productive land in your region?
- What guidance and technical assistance do you think will be beneficial to help councils identify highly productive land?

#### **Specific questions – Appendix A**

- Should there be a default definition of highly productive land based on the LUC until councils identify this? Why/why not?
- What are the key considerations to consider when identifying highly productive land? What factors should be mandatory or optional to consider?
- What are the benefits and risks associated with allowing councils to consider the current and future availability of water when identifying highly productive land? How should this be aligned with Essential Freshwater Programme?
- Should there be a tiered approach to identify and protect highly productive land based on the LUC class (e.g. higher levels of protection to LUC 1 and 2 land compared to LUC 3 land)? Why/why not?

#### **Specific questions – Policy 2**

- What are the pros and cons associated with prioritising highly productive land for primary production?

#### **Specific questions – Policy 3**

- How can this policy best encourage proactive and transparent consideration of highly productive land when identifying areas for new urban development and growth?
- How can the proposed National Policy Statement for Highly Productive Land best align and complement the requirements of the proposed National Policy Statement on Urban Development?

#### **Specific questions – Policy 4**

- Should the National Policy Statement provide greater direction on how to manage subdivision on highly productive land (e.g. setting minimum

lot size standards for subdivisions)? If so, how can this best be done?

- Should the proposed National Policy Statement encourage incentives and mechanisms to increase the productive capacity of highly productive land (e.g. amalgamation of small titles)? Why/why not?

#### **Specific questions – Policy 5**

- How can the National Policy Statement best manage reverse sensitivity effects within and adjacent to highly productive land?

#### **Specific questions – Policy 6 and Policy 7**

- Should these policies be directly inserted into plans without going through the Schedule 1 process (i.e. as a transitional policy until each council gives effect to the National Policy Statement)? What are the potential benefits and risks?
- How can these policies best assist decision-makers consider trade-offs, benefits, costs and alternatives when urban development and subdivision is proposed on highly productive land?
- Should the policies extend beyond rural lifestyle subdivision and urban development to large scale rural industries operations on highly productive land? Why/why not?

#### **Specific questions – Interpretation**

- Do any of the draft definitions in the National Policy Statement need further clarification? If so, how?
- Are there other key terms in the National Policy Statement that should be defined and, if so, how?
- Should there be minimum threshold for highly productive land (i.e. as a percentage of site or minimum hectares)? Why/why not?

#### **Specific questions – Implementation**

- Do you think a planning standard is needed to support the consistent implementation of some proposals in this document?
- If yes, what specific provisions do you consider are effectively delivered via a planning standard tool?

#### **Specific questions – Timeframes**

- What is the most appropriate and workable approach for highly productive land to be identified by council? Should this be sequenced as proposed?
- What is an appropriate and workable timeframe to allow councils to identify highly productive land and amend their policy statements and plans to identify that land?



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## Case law

*Canterbury Regional Council v Selwyn District Council* [1996] W142/96 2 ELRNZ 395

*Jay Gock and Fay Gock v Auckland Council* [2019] NZHC 276

*Winstone Aggregates v Matamata–Piako DC* [2005] 11 ELRNZ

# 8 Appendices

## 8.1 Appendix A

**Table 4: Assessment of options**

Option	Effectiveness to address problem	Level of direction	Flexibility	Complexity and costs (to develop and implement)	Timeliness (to develop and implement)
Status quo	This option would not be effective to address the identified problems. Practice would continue to be variable throughout the country.	There would continue to be a lack of clarity and national direction on how highly productive land should be managed. No clear guidance on how highly productive land should be considered alongside other matters of national importance.	High level of flexibility for councils to manage highly productive land within their region/district.	N/A – no additional costs to develop or implement the option.	N/A – no time required to develop or implement the option.
Option 1: NPS	Could provide clear direction that highly productive land is a nationally significant, finite resource and should be considered as such within the RMA planning framework. Could provide clear direction and support to councils to address the key land-use planning issues affecting soils.	Can provide clear direction on how highly productive should be considered under the RMA and balanced with other matters. Risk that policy direction does not have desired effect when councils give effect to NPS. The level of direction will be determined by the wording and prescriptive objective and policies leave little room for interpretation.	Allows some flexibility for councils to respond to local pressures and priorities when giving effect to the objectives and policies in the NPS. Provides some discretion to councils to determine the most appropriate use of land based on a clear and transparent consideration of benefits, costs and risk.	Relatively efficient for central government to develop NPS focused on land use planning issues affecting highly productive land. Costs for councils to identify highly productive land and give effect to the NPS through their policy statements and plans. This would be mitigated through transitional provisions to allow councils some time to give effect to NPS, and guidance and support from central government	Relatively efficient for central government to develop NPS focused on land-use planning issues affecting highly productive land. It will take a number of years before councils make changes to their plan and policy statements to give effect to the NPS. This risk would be mitigated through policies that take effect at gazettal and by including a default definition of highly productive land. Takes longer to effect change on the ground (mitigated to a certain extent by the points above).



Option	Effectiveness to address problem	Level of direction	Flexibility	Complexity and costs (to develop and implement)	Timeliness (to develop and implement)
<b>Option 2: NES</b>	Could be effective to address some aspects of the problem. NES cannot include objectives and policies so limited ability to provide direction on the actual outcomes sought.	Could provide a high level of certainty and national consistency in how highly productive land is managed at the rule level. NES cannot include objectives and policies so limited ability to provide direction on the actual outcomes sought.	Provides limited flexibility for councils to respond to different pressures and priorities. Less opportunity for councils to determine the most appropriate use of land. Impacts on landowners would be higher with less opportunity to challenge the rules that apply to their site (compared to an NPS which must be given effect to at the local level).	Complex and costly to develop to ensure it is appropriate in all locations it applied to and did not have unintended consequences. Costs for councils to align their plans with NES and implement the NES (consenting and monitoring).	Would be time-consuming for central government to develop a NES to ensure it is fit-for-purpose and does not result in perverse outcomes. Can have immediate effect once gazetted.
<b>Option 3: Amend NPS-UDC</b>	Could be effective to address urban expansion onto highly productive land. Limited ability to address fragmentation and reverse sensitivity. Would only apply in 'Major Urban Areas' so would not consistently address the identified problems.	Could be effective to provide direction on how highly productive land should be considered when identifying new urban areas. Limited ability to provide clear direction on how highly productive land should be managed as the focus of the NPS is urban development.	Allows for some flexibility for councils to respond to local pressures and priorities when giving effect to the objectives and policies in the NPS. Provides some discretion to councils to determine the most appropriate use of land based on a clear and transparent consideration of benefits, costs and risk.	Would be a relatively discrete amendment to the NPS. Utilises an existing national instrument which reduces costs to both develop (central government) and implement (councils).	Relatively efficient for central government to incorporate option into the proposed NPS-UD. Implementation timeframes for councils would be determined by proposed NPS-UD.

#### Criteria:

**Effectiveness** – to address inadequate consideration of highly productive land.

**Level of direction** – the ability to direct actions and outcomes, increasing certainty and consistency in implementation (by councils).

**Flexibility** – to allow councils to respond to local priorities, pressures and community expectations and balance other national priorities.

**Complexity and costs** – the complexity, cost and effort to develop (central government) and implement (councils) the option.

**Timeliness** – able to be developed and implemented in an appropriate timeframe (allow for implementation of the desired outcome in the shortest timeframe).

#### Table key:

	High rating against assessment criteria
	Medium rating against assessment criteria
	Low rating against assessment criteria

## 8.2 Appendix B: Cost benefit assessment of six councils

To inform policy development, the Ministry for Primary Industries commissioned an indicative cost benefit assessment (CBA) on the proposed National Policy Statement for Highly Productive Land.

The indicative CBA examines six councils' spread across New Zealand. The six case studies span both high and low growth urban and rural environments, differing primary sector roles within the local economy, different mixes of primary production activities, and differing extents of Land Use Capability<sup>38</sup> (LUC) Class 1, 2 and 3 land relative to total land area of the district.

The spatial analysis of each case study area examines the incidence of both social and economic activities in each district relative to land with a LUC Class 1–3 rating. The assessment looks at the relative significance of different activities and land uses in the rural environment compared to the urban environment, and the relative significance of activities located on LUC class 1–3 land. It also considers current patterns of rural lifestyle development.

The assessment of cost and benefits of the proposed NPS is indicative at this stage. As with any CBA of national direction prepared under the Resource Management Act 1991, a number of assumptions needed to be made about how the policies might be approached by councils. Modelling future patterns of growth under different regulatory settings also required some broad assumptions to be made in the indicative CBA.

The spatial analysis in the CBA is based on modelling of projected rural lifestyle subdivision on highly productive land<sup>39</sup> without and with the proposed NPS. This has enabled a significant long-term economic benefit (avoided loss of primary production gross output) to be estimated. The location of future subdivision relative to highly productive land resource highlights the scale and significance of subdivision activity that could be deterred or redirected to less productive land under the proposed NPS.

It is important to note that the indicative CBA has limitations in that it was not able to quantify and

monetise a number of costs and benefits. These limitations are discussed in more detail in section 5.8. This section focused on the results of the spatial and quantitative analysis in the indicative CBA for the six case studies.

### Key findings of the indicative cost benefit assessment

The results from the six case studies showed that all of the council areas had significant potential for further subdivision on highly productive land and all had significant potential for further subdivision on land that is not highly productive.

While the assessment suggests all case studies had significant capacity to further subdivide both highly productive and non-highly productive land, three of the council areas demonstrated sufficient capacity to redirect anticipated lifestyle property growth to 2048 away (totally, or largely) from highly productive land. However, in three of the council areas, the proposed NPS has the potential to constrain expected lifestyle demand growth by removing all or a portion of subdivision capacity on highly productive land. Of these, two would have potentially experienced a long-term shortfall of capacity to meet demand growth under the status quo, so the proposed NPS is either having a marginal effect or is potentially introducing a constraint that would not have been expected in the next 30 years.

The assessment assumes that councils will maintain current minimum lot sizes and will not make changes to enable lifestyle development on land that is not highly productive (to provide additional capacity and help redirect growth). Given that this is a key objective of the proposed NPS, the potential constraint on lifestyle property growth may well be remedied or mitigated as part of the plan change to implement the proposed NPS (or at a later stage when needed). On that basis, the assessment concludes that limited weight should be given to the potential outcome of constrained growth under the proposed NPS.

Overall, the modelling indicates that redirecting subdivision for lifestyle property demand to non-highly productive land under the proposed NPS is feasible in most cases or only has a marginal

38 The Land-Use Capability (LUC) classification system ranks land from Class 1 to Class 8, with Class 1 being the most suitable for a range of primary production. LUC class will be one of the key factors councils use to define highly productive land. Further information about the LUC classification system is available under section 2.3.

39 For the purposes of the modelling, highly productive land was defined as LUC 1–3 land consistent with the default definition in the NPS-HPL.



adverse effect over and above the status quo where shortfalls are anticipated in the long term (although it is anticipated that councils will respond by providing additional capacity where needed to remedy or mitigate such effects). The CBA notes that avoided loss of primary production output under the proposed NPS (whether from redirecting urban expansion or rural lifestyle development) is a year on year benefit that accumulates over time so these benefits are expected to be significant.

### How the future scenarios (2048) were modelled

The future scenarios displayed in Table 5 and Maps 1–12 below are based on the projected increase in lifestyle parcels, as avoiding fragmentation of highly productive land from rural lifestyle subdivision is a key focus of the proposed NPS.

The “without NPS–HPL” scenario is based on continuation of current subdivision patterns, where the creation of lifestyle parcels is driven by existing rules for subdivision (minimum lot sizes).

The ‘with NPS–HPL’ scenario shows how demand could be re-directed to other parcels which do not contain highly productive land. This indicative CBA uses ‘low–medium’ and ‘high’ regulatory approach scenarios under the proposed NPS. The ‘high’ regulatory approach deflects all subdivision of lifestyle demand to other parts of the rural area that are not identified as highly productive land. It is important to note that the proposed NPS is not intended to prohibit or completely avoid the subdivision of such land. Rather, the intent is to require councils to consider subdivision of other land when this is a practical alternative. Councils may exclude some LUC Class 1, 2 or 3 land when identifying highly productive land. Equally, councils may identify highly productive land that does not have an LUC Class 1, 2 or 3 rating.

The full indicative cost benefit assessment is available at [www.mpi.govt.nz/HighlyProductiveLand](http://www.mpi.govt.nz/HighlyProductiveLand)

A summary of each case study is outlined below.

Table 5: Key findings from the indicative cost-benefit assessment of six councils

Local authority	LUC class 1, 2 and 3 (area and proportion of district)	Households (current estimate)	Household growth to 2048 (medium estimate) and percent increase	Current rural-lifestyle LUC class 1, 2 and 3 (number of parcels and area)	Without NPS-HPL: Rural-lifestyle subdivision growth to 2048 on LUC class 1, 2 and 3 (number of parcels and area)	With NPS-HPL: Rural lifestyle subdivision growth to 2048 on LUC class 1, 2 and 3 (number of parcels and area, Low-Medium and High Regulatory Response Scenarios)	Without NPS-HPL: Loss of primary production output to 2048 Estimated output (\$million, undiscounted)	With NPS-HPL: Loss of primary production output to 2048 Estimated output (\$million, undiscounted, Low-Medium and High Regulatory Response Scenarios)	Primary production output to 2048 NPS-HPL minus estimated output without NPS-HPL (\$million, undiscounted, Low-Medium and High Regulatory Response Scenarios)
<b>Ashburton District</b>	227,934ha 37%	14,100	4,200 30%	1,225 6,813ha	343 5,690ha	Low to medium: 216 5,034ha High: 2 17ha	-\$291.0	Low to medium: -\$265.2 High: -\$124.3	Low to medium: \$26 High: \$167
<b>Auckland</b>	123,717ha 25%	558,700	298,600 53%	12,728 35,780ha	2,390 6,340ha	Low to medium: 2,371 5,517ha High: 2,323 3,896ha	-\$275.0	Low to medium: -\$184.8 High: -\$80.4	Low to medium: \$90 High: \$195
<b>Horowhenua District</b>	43,765ha 41%	13,700	1,500* 11%*	2,059 6,575ha	106 66ha	Low to medium: 94 70ha High: 5 3ha	-\$4.8	Low to medium: -\$5.1 High: -\$3.1	Low to medium: -\$0.3 High: \$1.7
<b>Selwyn District</b>	140,560ha 21%	20,100	16,800 84%	4,596 19,434ha	1,260 7,640ha	Low to medium: 951 7,730ha High: 10 80ha	-\$405	Low to medium: -\$381 High: -\$371	Low to medium: \$24 High: \$34
<b>Waipa District</b>	77,560ha 53%	20,300	5,900 29%	3,830 6,851ha	233 9,281ha	Low to medium: 117 4,707ha High: 0 25ha	-\$1,446	Low to medium: -\$1,291 High: -\$757	Low to medium: \$203 High: \$775
<b>Western Bay of Plenty District</b>	44,260ha 23%	19,000	3,500 18%	4,230 7,716ha	246 836ha	Low to medium: 203 468ha High: 145 83ha	-\$38.4	Low to medium: -\$29.5 High: -\$27.7	Low to medium: \$8.8 High: \$10.7

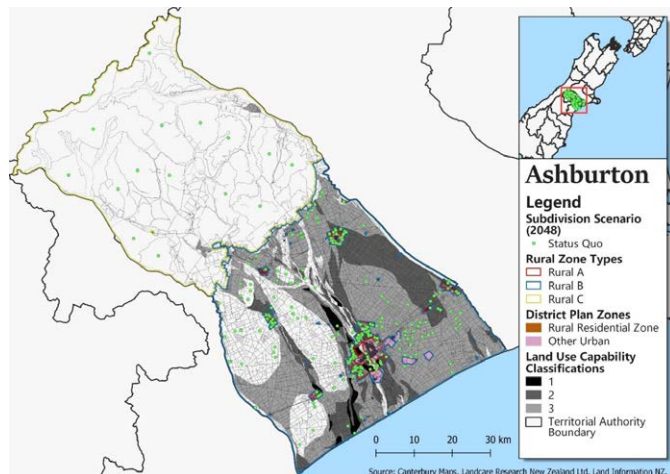
\* The figures for Horowhenua District are based on Stats NZ's high growth projection for the District. As Stats NZ's medium growth projection for Horowhenua is for a decline in total household growth, the high growth figures were used to show the potential impact of the NPS-HPL. It should be noted that Horowhenua District Council commissioned a report in 2017 on the long-term population and economic projections for the District. That report projected growth to be markedly higher than Stats NZ's growth projections for Horowhenua, and underpins Horowhenua District Council's growth strategy, which is available at: <https://www.horowhenua.govt.nz/Council/Plans-Strategies/Horowhenua-Growth-Strategy-2040>



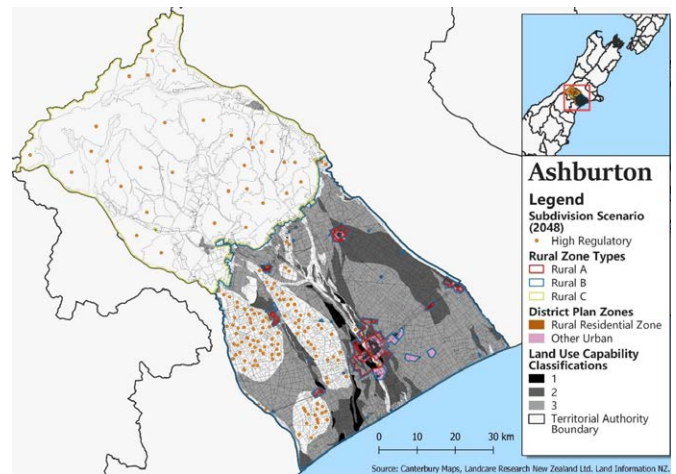
## Case study: Ashburton District

Map 1 below shows that there is significant potential for land with an LUC Class of 1, 2 or 3 to be subdivided in Ashburton District. Equally, there are large areas where subdivision can occur that do not contain land with an LUC Class of 1, 2 or 3. Map 2 further below shows how subdivision could be redirected away from highly productive land with the NPS-HPL used under the high regulatory modelling scenario.

Map 1: Indicative long-term lifestyle subdivision in Ashburton District, without NPS-HPL scenario (2048)



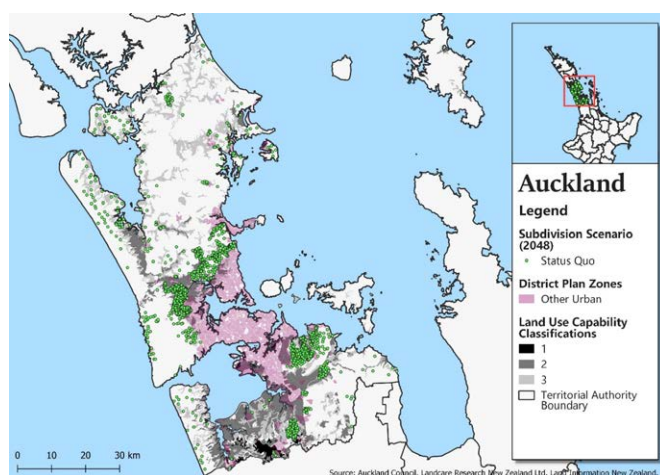
Map 2: Indicative modelled long-term lifestyle subdivision in Ashburton District, with NPS-HPL scenario (2048)



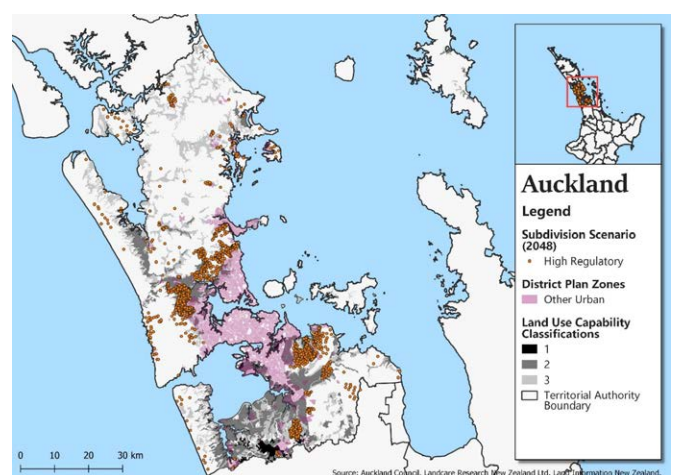
## Case study: Auckland

Map 3 below shows that there is significant potential for further land fragmentation in areas with LUC Class 1, 2 or 3 land. It also shows that there are some areas where subdivision can occur that do not contain LUC Class 1, 2 or 3 land. Map 4 further below shows how subdivision could be redirected away from highly productive land with the NPS-HPL used under the high regulatory modelling scenario.

Map 3: Indicative long-term lifestyle subdivision in Auckland Region, without NPS-HPL scenario (2048)



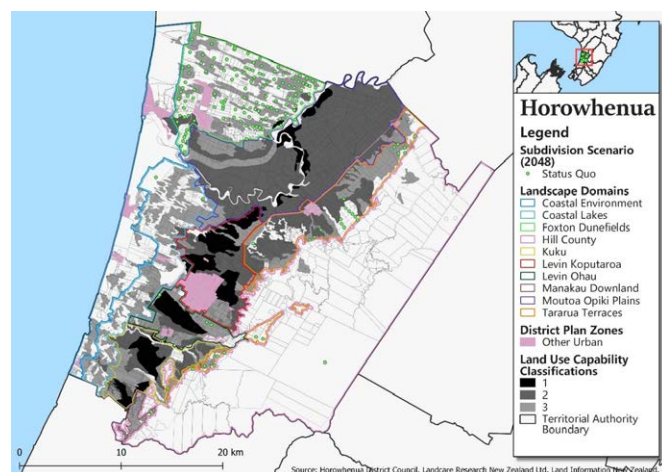
Map 4: Indicative long-term lifestyle subdivision in Auckland Region, with NPS-HPL scenario (2048)



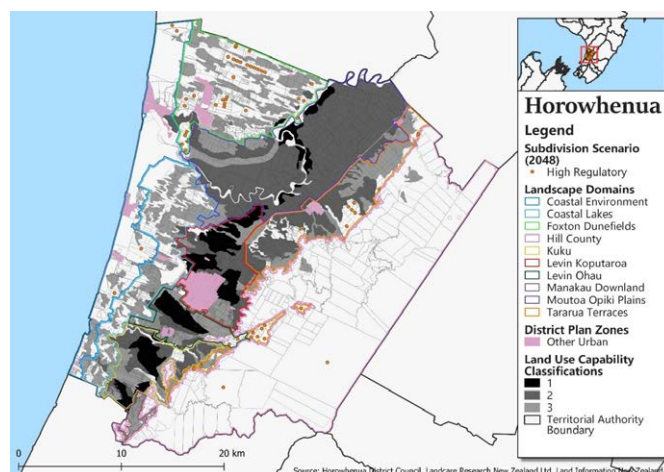
## Case study: Horowhenua District

Map 5 below shows that over four-fifths of land parcels able to subdivide contain LUC Class 1, 2 or 3 land, however, the proportion of the land with an LUC 1, 2 or 3 rating varies greatly. There are also some areas where subdivision can occur that do not contain LUC Class 1, 2 or 3 land. Map 6 further below shows how subdivision could be redirected away from highly productive land with the NPS-HPL used under the high regulatory modelling scenario.

Map 5: Indicative long-term lifestyle subdivision in Horowhenua, without NPS-HPL scenario (2048)



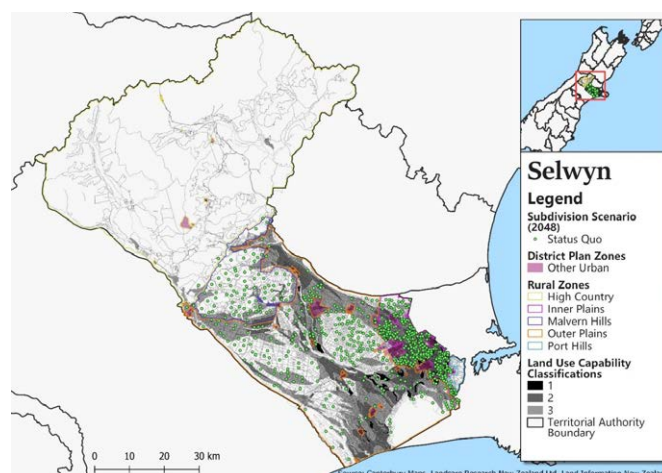
Map 6: Indicative long-term lifestyle subdivision in Horowhenua, with NPS-HPL scenario (2048)



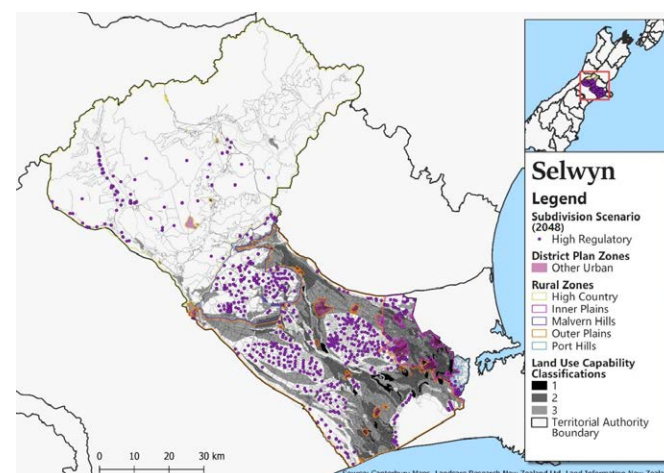
## Case study: Selwyn District

Map 7 below shows that there is significant potential for further subdivision in areas with significant LUC Class 1, 2 or 3 land, and that there are fewer areas where subdivision can occur that do not contain LUC Class 1, 2 or 3 land. Map 8 further below shows how subdivision could be redirected away from highly productive land with the NPS-HPL used under the high regulatory modelling scenario.

Map 7: Indicative long-term lifestyle subdivision in Selwyn, without NPS-HPL scenario (2048)



Map 8: Indicative long-term lifestyle subdivision in Selwyn, with NPS-HPL scenario (2048)

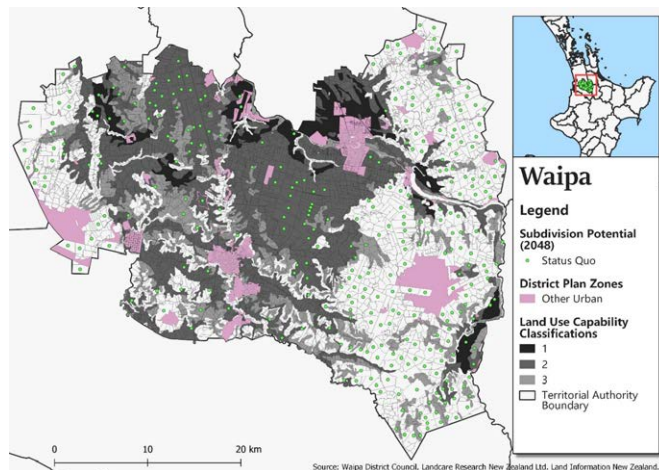




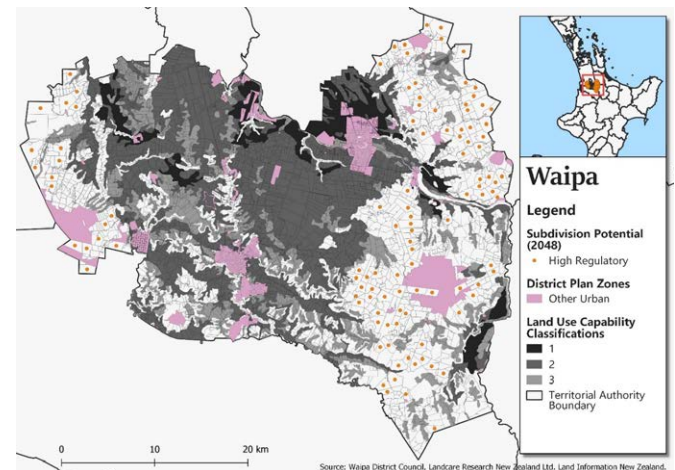
## Case study: Waipa District

Map 9 below shows that there is limited potential for further subdivision in the rural zone, including in areas with significant LUC Class 1, 2 or 3 land. Map 10 further below shows how subdivision could be redirected away from highly productive land with the NPS-HPL used under the high regulatory modelling scenario.

Map 9: Indicative long-term lifestyle subdivision in Waipa, without NPS-HPL scenario (2048)



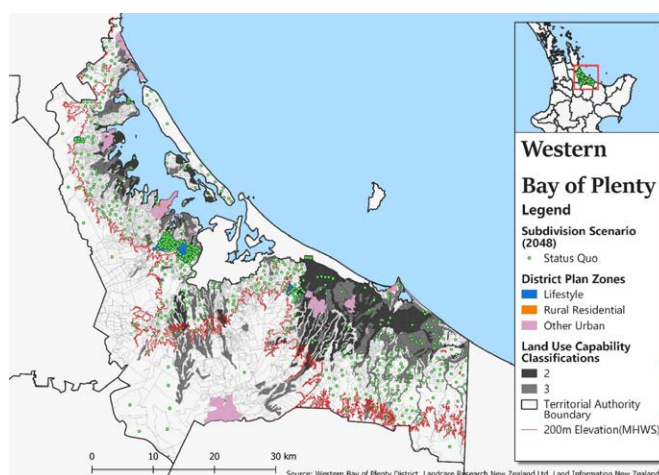
Map 10: Indicative long-term lifestyle subdivision in Waipa, with NPS-HPL scenario (2048)



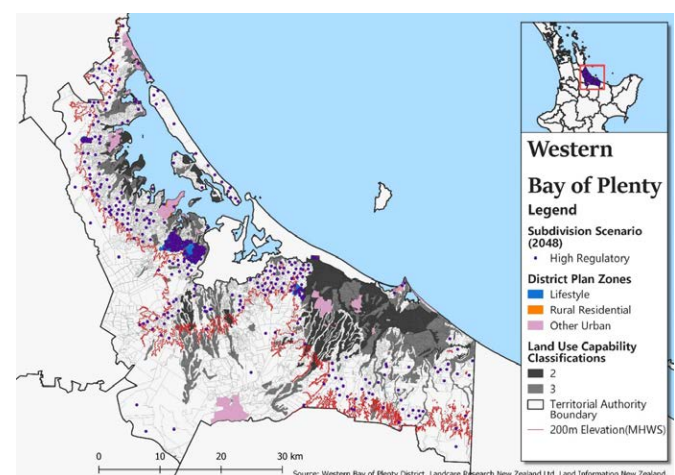
## Case study: Western Bay of Plenty District

Map 11 below shows that there is significant potential for further fragmentation of land with an LUC Class of 1, 2 or 3. Equally, it also shows that there are areas where subdivision can occur that do not contain this land. Map 12 further below shows how subdivision could be redirected away from highly productive land with the NPS-HPL used under the high regulatory modelling scenario.

Map 11: Indicative long-term lifestyle subdivision in Western Bay of Plenty, without NPS-HPL scenario (2048)



Map 12: Indicative long-term lifestyle subdivision in Western Bay of Plenty, with NPS-HPL scenario (2048)



Ministry for Primary Industries  
Manatū Ahu Matua



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**Environment**  
Manatū Mō Te Taiao