Dear Mr Hill,

My apologies for going over my time in yesterday's hearing session. Also, if I did not directly answer your question about whether it matters that the population projections are "over-cooked". Because I am hard of hearing I may not have grasped your questions and therefore not have answered adequately. If that was your question I would say that it matters quite profoundly for the following reasons:

1. If the projections are unrealistically high, then the future demand for dwellings will be exaggerated. This is because the demand for dwellings in the first instance is a function of expected population growth. Annual population growth divided by expected persons per dwelling gives you the annual demand for dwellings. This is the demographic (demand) side. By "demand" we mean "need"--the number of people who need to be housed. Demand in the economic sense is another matter because that brings in interest rates, household income, etc. The relationship between population growth and real demand in an economic sense is not fixed. House prices are currently dropping even though the population is increasing.
2. If demographic demand (need) is exaggerated, and if there is a significant infrastructure deficit already, councils may be encouraged to borrow and over-invest in infrastructure in order to stay ahead of demand. This has implications for council finances (e.g., borrowing limits) including rates. There may also be dangers if demand is understated, but those dangers are not so clear, especially now that all population growth is coming from migration. Investing in the current population is one thing; investing (and borrowing) now for a population that is not yet resident here, is another. There is a need for a balance in terms of costs imposed on current residents for services that they presently receive, and investment in services that will be enjoyed by future residents. This is what I meant when I referred to "economic" rather than purely demographic matters.
3. If demographic demand is exaggerated, there could also be implications for other parties as well. Property developers, for example, could get a false impression of future demand, either in terms of numbers (of dwellings) that will be needed or in the type of dwellings required. Also, a construction company could be encouraged to invest in equipment on the expectation that there would be a need for it when there isn't or not to the extent that the population projections suggest. There are also implications for health and educational services but these are not normally council matters. There are also implications for businesses and capital investment.
4. I have spoken to builders hoping to get work in a new Nelson subdivision who told me that (real) demand in the city is presently "dead". A development in the Nelson suburb of Toi Toi has only sold two lots in a year out of an expected 180.
5. Tasman mayor Mr King in his speaking notes suggests that Nelson needs to build 100 homes per year and that PC29 will facilitate that. But the Nelson HBA2024 suggests much higher numbers than that. In the short run the HBA 2024 indicates that 220 dwellings per year would be needed (not including the competitiveness margin). Mr King's figure is closer to what you would get if the NCC used Statistics NZ's "medium" projection for its demand estimates rather than the "aggressive" projections that it has chosen. If NCC chose the StatsNZ projection I for one would have no problem with that at all. However, the message we have been given is that the existing

NRMA is not flexible enough even to accommodate 100-120 new dwellings per year. That may or not be the case but Mr McIlrath indicated that the current NRMA rules would allow for 10,000 additional dwellings. That a well-informed person such as the mayor of Tasman would underestimate the need for housing as reflected in the Nelson HBA 2024 suggests that the actual numbers may be misunderstood elsewhere in the community or a matter of some confusion.

6. Would an exaggerated population projection have any impact on affordability? This depends on how councils respond and also how central government expects them to respond. To what extent should the supply response match perceived demand? Should councils actually implement (build) infrastructure or simply note that there will be a future need for it? This takes you back to the issue of who pays and who benefits.
7. The current government takes a "supply side" approach. Their assumption is that if you "flood" the market either with plan enabled land or flexible intensification rules that increase opportunity, prices will drop. The economist Brian Easton (https://www.pundit.co.nz/content/flooding-housing-policy) has examined this and concluded that this would only be true if capital gains through housing investment (by occupiers or others) would virtually come to a halt. He does not think that is likely.
8. There is also the problem of "Say's law". The French economist Jean-Baptise Say argued that "supply creates its own demand", That means in the Nelson case that if people in other parts of the country or overseas perceived that there was a plentiful supply of housing capacity, they would have a tendency to move to Nelson, thus pushing up demand again. This would reflect the expression "build it and they will come". Under these circumstances, affordability would not improve.
9. "affordability" is determined by a wider range of factors than "supply and demand". This leaves out tax policy, including charges against undeveloped land subjected to land banking. Monopoly ownership of land is another factor and rules around foreign ownership are another. Migration policy can determine whether the property value floor is kept up or drops somewhat.

I hope you find these comments useful. I would be happy to answer any further questions you may have and also provide relevant literature.

Geoffrey Hayes