BEFORE THE HEARING PANEL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of Proposed Plan Change 29 to the Nelson Resource Management Plan

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STATEMENT OF EVIDENCE OF Lawrence McIlrath

Dated 19 June 2024

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1. INTRODUCTION

1.1 My full name is Lawrence Ryan McIlrath, and I am a director at Market Economics.

1.2 I have a Bachelor of Arts and Science (Planning), majoring in Economics from the Potchefstroom University of Christian Higher Education (South Africa), as well as a Master of Business Administration from North-West University (South Africa).

1.3 I specialise in market assessments, demand and supply analysis, sectoral analysis, and urban economic analysis. My work includes assessing sectoral structures and interactions, over time and across locations, scenario assessment and growth modelling, as well as evaluating the implications of different growth pathways on market segments. I have applied these skills across many sectors and locations around New Zealand.

1.4 I have been involved in preparing Housing and Business Capacity Assessments (HBCAs) for several[1] Councils under the National Policy Statement – Urban Development Capacity ("NPS-UDC") and Urban Development (NPS-UD). These assessments included demand and supply analysis associated with demographic and household demand patterns, local economies, their growth drivers and outlooks.

1.5 Nelson City Council ("Council") contracted Market Economics (M.E) to provide technical advice on the Economic topic for Council's Plan Change 29 (Proposed Plan Change 29 – "PC29").

[1] These include, Tauranga City Council, Napier City Council, Hastings District Council, Far North District Council as well as others.

2. CODE OF CONDUCT

2.1 I have read the Environment Court Code of Conduct for expert witnesses contained in the Environment Court Practice Note 2023 and agree to comply with it. I confirm that the opinions expressed in this statement are within my area of expertise except where I state that I have relied on the evidence of other persons. I have not omitted to consider any material facts known to me that might alter or detract from the opinions I have expressed.

3. SCOPE OF EVIDENCE

3.1 In this evidence, I provide commentary regarding the following topics:

(a) Residential demand projections for Nelson and their relevance to the development capacity provided by PC29;

(b) The feasible and realisable development capacity provided by PC29 as notified, as well as the revised zoning option developed in response to submissions;

(c) The impact on feasible development capacity of different development options put forward in submissions, e.g., reduced or increased height limits, changes to other bulk and location standards, and

(d) Responding to other points raised by submitters relevant to urban economics.

3.2 My evidence is structured using these topics, and I start by providing important background about the modelling approach and I then deal with the growth outlook in Nelson. Next, I summarise the capacity that is enabled under the Nelson Resource Management Plan (NRMP) and the notified PC29. I then consider the capacity enabled by the revised zoning option as outlined in Ms Morgan's section 42A report. I conclude with high level commentary regarding the points raised by some submitters.

4. EXECUTIVE SUMMARY

4.1 Council is undertaking PC29 as part of ensuring compliance with the National Policy Statement: Urban Development 2020 (NPS-UD) and in response to the Nelson Tasman Future Development Strategy 2022-2052 (FDS). This is to ensure that there is sufficient residential development capacity to accommodate future growth and population change.

4.2 I assisted[2] Council by estimating the capacity enabled by the Nelson Resource Management Plan (NRMP), the notified PC29, as well as the revised zoning option included in the Overview and Strategic section 42A Report by Ms Morgan in response to submissions. The capacity is estimated in terms of plan enabled capacity as well as feasible capacity. I compared the feasible capacity against the anticipated household growth projections as prepared by DotLovesData (for Council).

4.3 The purpose of the modelling is not to undertake a full sufficiency assessment[3], or to inform housing bottom lines, as required under the NPS-UD. My modelling follows the same logic that is applied in a sufficiency assessment, and I cover the same dimensions and elements[4]. The intent is to show the overall quantum of enabled capacity, and how this aligns with anticipated demand, as well as the spatial distribution of that capacity.

4.4 I report simplified results to aid with interpreting the results, by evaluating the development option and selecting the option that would

[2] Market Economics also assisted NCC with earlier work relating to the PC29 and the different options. The findings are summarised in the following report: Nelson City Housing Plan Change – Economic Assessment. May 2023. Prepared by Market Economics. Authored by Susan Fairgray-McLean.

[3] A sufficiency assessment would need to also include infrastructure capacity and realistically expected to be realised capacity.

[4] More than twelve combinations are considered for each parcel and this detailed information is used in my assessment. Parcel attributes are also integrated into the modelling. These include building size-values, value-bands, locations, and the different planning provisions.

generate the greatest return to a developer. This option reflects anticipated and rational behaviour from a developer's perspective.

4.5 This analysis focuses on intensification, or brownfield development options. I did not consider greenfield developments as part of this assessment because the focus is on intensification and enabling more housing options within the existing urban areas. I have made the necessary adjustments to the demand estimates to ensure that capacity (supply) is evaluated against the appropriate demand segments.

Growth outlook – potential demand

4.6 Population and household growth projections are key inputs into the planning process. These projections evolve and shift as new information about trends emerge. I base my analysis on the DotLovesData (DLD) projections[5] as prepared for Council. I have reviewed these projections and compared them against historic StatsNZ projections as well as how StatsNZ projections performed against the growth that materialised. In my view, the growth pathway presented in the DLD-growth scenario is appropriate[6].

4.7 Total Nelson-wide household growth projections translate into housing demand over the long term of 7,595[7]. After adjusting for the greenfield-intensification proportions, demand for intensification is estimated at 3,190 over 30-years (including the relevant NPS-UD margin, and 2,710 with the margin excluded)[8].

Potential capacity/supply – NRMP, notified PC29 and revised zoning option

4.8 Development capacity is determined by the planning provisions and each parcel can accommodate different typologies. I considered the

[5] Population Projections 2018-2058 Results. March 2023. Prepared for: Tasman District Council and Nelson City Council. Prepared by: DotLovesData.
[6] These projections informed the recent work in support of the Council's Housing Capacity Assessment.
[7] Including the relevant NPS-UD competitiveness margin.
[8] The greenfield demand is estimated at 4,410 dwellings (incl margins).

development options for each parcel (i.e., typologies[9] and pathways[10]) and I summarise the development capacity by selecting the options with the greatest profit. This approach facilitates a consistent comparison of capacity for the NRMP, the Notified PC29 as well as the revised zoning option.

4.9 The revised zoning option put forward by Ms Morgan relates to deleting the High Density Residential zone (HDRZ) and applying the Medium Density Residential zone (MDRZ) and allowing for high density on larger sites (HDLS) in selected locations[11].

4.10 Plan enabled capacity is the theoretical maximum capacity, and my modelling shows that the Plan Enabled Capacity ("PEC") is:

(a) NRMP 10,385

(b) Notified PC29 60,150

(c) Revised zoning option 33,350.

These figures capture different typologies and pathways.

4.11 The notified PC29 enables a significantly greater quantum of housing capacity – around 6 time more PEC than the NRMP, and the revised zoning option enables around 3 times more PEC than the NRMP. The increase in plan enabled capacity is the shift in densities and typology that is enabled. This step change in important from an economic perspective because is delivers greater diversity and choice, across:

(a) Typologies (detached vs attached),

(b) Locations,

(c) Price points.

4.12 Not all PEC will be delivered, and commercial feasibility and price points are important. If the anticipated sales price of a development is greater

[9] The typologies include detached, attached, terraced or apartment developments.
[10] These are infill, redevelopment or vacant.
[11] Nelson's most accessible locations around the Inner City/Fringe and Stoke centre. This option also includes amendments to the zoning in Atawhai, Tāhunanui, the Brook & Mount St.

than all the development costs plus a developer's margins (20%), then that development option is seen as commercially feasible. Commercially feasible capacity captures the relationship between development costs and sales prices. In addition, only a share of feasible capacity will be delivered, with demand levels and affordability determining the proportions. These relationships are dynamic and change over time. I focus on the 30-year timeframe for the feasible capacity.

4.13 The commercially feasible capacity (30 year) is estimated as follows:

(a) Under the NRMP:

(i) 3,175 detached dwellings are feasible,

(ii) 6,500 attached dwellings are feasible.

(b) Under PC29:

(i) 6,800 detached dwellings are feasible,

(ii) 37,400 attached dwellings are feasible.

(c) Under the revised zoning option:

(i) 6,825 detached dwellings are feasible,

(ii) 23,450 attached dwellings are feasible.

4.14 The notified PC29, as well as the revised zoning option, will deliver a significant increase in commercially feasible capacity. Both the notified PC29 and the revised zoning option enable:

(a) More capacity than the NRMP

(b) More diversity in terms of:

(i) Location

(ii) Typology.

4.15 To provide some context, the enabled commercially feasible capacity should be viewed against the estimated intensification demand[12] – 2,710 dwellings over thirty years.

[12] As reported in the Housing Capacity Assessment to support the Nelson Tasman Housing and Business Development Capacity Assessment. January 2024

4.16 As part of my assessment, I estimated the price points of the feasible capacity (i.e., the price at which a developer would see an option as viable). I use a weighted average price point to illustrate the shifts associated with the different plans. Both the notified PC29 and revised zoning option enable feasible capacity at price points that are approximately 25% lower than the NRMP. The weighted average price points for the notified PC29 and the revised zoning option are similar. The weighted average prices are:

(a) Detached dwellings $1.35m (25% less than the NRMP)

(b) Attached dwellings $820,000 (17% less than the NRMP).

4.17 *This downward shift in the price points of the feasible capacity is due to the shift in typology, and the smaller sites that enable more development options*. Both the notified PC29 and the revised zoning option will have a positive effect on the Nelson residential market by providing choice and enabling more development across Nelson.

4.18 The revised zoning option provides for high density on large sites (HDLS)[13]. There are challenges associated with estimating the enabled capacity associated with this zone because site amalgamation would be necessary to generate the opportunities. Nevertheless, in the Nelson context, the spatial extent associated with where the HDLS could be developed is located around areas of high accessibility. The HDLS will support housing choice and enable competition in the local market.

Spatial extent considerations

4.19 In my view, the spatial extent of the High Density Zone is important because it determines the total number of development opportunities. This quantum must be viewed against the likely demand for those opportunities.

[13] Larger than 1,000m^2 and with street frontage, in the spatial area that was zoned as high density in the notified PC29.

4.20 A large spatial extent will enable many development opportunities, because a large area is covered. If demand for the enabled capacity is limited, then a small number of developments could satisfy a large portion of the relative demand. If the spatial extent is too great, then there is a risk that those developments could be undertaken away from the centres, thereby reducing/diluting the benefits associated with concentrating development around/close to centres. From an economic perspective, the closer the high density developments are to the centre(s) the better, because this will support the centres.

4.21 The spatial extent and the relationship with the capacity and relative demand was highlighted in M.E's analysis[14] that supported the s32 report. In that report it was noted *that the spatial extent of the zone is large relative to the market. This mismatch may result in developments that are less integrated with the central node of amenity in the short to medium-term.*

4.22 In my view, the revised zoning option addresses the concerns about enabling high density dwellings by being more targeted at large sites and enabling typologies that are closer to potential demand, and development patterns observed in other locations (where development patterns shifted to medium density typologies e.g., Tier 1 councils). In the context of the wider housing market, the HDLS will provide additional housing development options.

4.23 In conclusion, the revised zoning option will enable sufficient development capacity. The enabled capacity is significantly greater than that enabled by the NRMP, but less than the notified PC29.

[14] Nelson City Housing Plan Change – Economic Assessment. May 2023. Prepared by Market Economics. Authored by Susan Fairgray-McLean.

Analysis of submissions

4.24 The public submissions on the notified PC29 cover a range of themes and I comment on those that are within my field of expertise.

Relative demand for the High Density Residential Zone and spatial extent

4.25 Several submitters oppose to the introduction of a HDRZ. I have considered the enabled capacity against the relative demand and spatial extent. Enabling intensification and increasing densities in existing areas are essential to meet demand, support a well-functioning urban environment, improve housing affordability and choice.

4.26 I have considered relative demand for high density typologies against the anticipated demand. Relative demand relates to how consumer behaviour changes in light of market dynamics i.e., demand patterns, housing typologies and price movements, locations, and so forth.

4.27 Spatially, the HDRZ (as per the notified PC29) is in a suitable location, and likely to support Nelson CBD and the Stoke centre. However, the challenge is the spatial extent. Under the notified PC29, the high density zone enables significant feasible opportunity. The scale exceeds the anticipated demand for higher density dwellings by a significant margin - 63 times greater than demand.

4.28 Based on the level of projected demand, and maturity of the high density living market in Nelson, the spatial extent appears excessive. The HDLS retains some of the higher density development options but reduces the effective coverage.

Other Matters

4.29 I have used a sensitivity analysis to assess some of the submissions. My sensitivity analysis shows that reducing heights by 1 storey will decrease feasible capacity for attached dwellings. Lowering the height limits will

reduce the number of feasible development options, but it does not change the weighted price.

4.30 My analysis shows once the height limits are lowered to 3 and 4 storeys, the yields associated with vertical apartments and medium density typologies converge. This suggests that lowering the height limits erases any potential financial advantage that a high density development might have over medium density typologies.

4.31 I also considered increasing the height limits. This adds 8,340 additional feasible options. But this should be seen in the context of the small market such as Nelson, there is limited demand for high-end and high density living.

4.32 Multiple submitters asked Council to encourage small scale infill development such as granny flats, secondary residential units and tiny homes. The notified PC29 enables such small scale infill developments. Small scale intensification could provide housing options, but in my view, this typology is not a substitute for more formal intensification because of land ownership issues mean redevelopment options are likely to be piecemeal, adding only relatively limited additional capacity.

4.33 A submitter raised concerns with subdivision in the MDRZ and HDRZ. While there is merit in protecting the development options, caution is needed to avoid unintended consequences. That is protecting capacity for an unproven, (or small) long term demand in the future, at the expense of enabling capacity associated with medium term. This risks inhibiting development and therefore maintaining the status quo

4.34 Multiple submitters seek a two storey minimum building height set for new subdivision areas. Presumably this is to increase densities in those areas. In my view, this change will have negative economic effects, such as lowering choice and affordability, as well as steering development activity towards higher value (can price) typologies.

5. BACKGROUND

5.1 The Council is undertaking PC29 as part of ensuring compliance with the National Policy Statement: Urban Development 2020 (NPS-UD) and in response to the Nelson Tasman Future Development Strategy 2022-2052 (FDS). This is to ensure that there is sufficient residential development capacity to accommodate future growth and population change. As part of preparing for PC29, the Council commissioned M.E to assess[15] the residential development capacity that will be enabled under different zoning scenarios. These scenarios captured different planning provisions, across Nelson and informed the s32 analysis work completed as part of the PC29 process. The notified PC29 zoning is based on the preferred option as assessed.

5.2 The early analysis revealed that the NRMP provided only limited opportunities for intensification and may not provide adequate scope for the market to meet future dwelling growth needs of the city in relation to the type, location, and densities of dwellings. The s32 work by M.E compared the anticipated demand against plan enabled capacity.

5.3 Subsequently, the Nelson Housing Capacity Assessment 2024 (HCA) has been completed. The HCA analysis has a similar starting point as the s32 assessment, but it extends the analysis to include a wider array of capacity. My assessment of the capacity enabled by PC29 and the revised zoning option considers the wider suite of capacity. I summarise my approach below.

Approach

5.4 To assess the potential effects of NRMP, the notified PC29 and the revised zoning option put forward by Ms Morgan, I estimated the development

[15] Nelson City Housing Plan Change – Economic Assessment. May 2023. Prepared by Market Economics. Authored by Susan Fairgray-McLean.

capacity for each set of provisions. The revised zoning option is described in paragraph 8.1 below.

5.5 I have used a bespoke residential capacity model and I compared capacity against anticipated demand. My modelling work integrates several aspects and I provide a high level overview of the modelling below:

(a) Spatially, the model covers the entire Nelson urban area (specifically area where residential development could occur), and each parcel is assessed individually, with the result summed to larger/more user-friendly areas.

(b) The planning provisions, and the spatial extent, of each zone is mapped to parcels.

(c) The plan enabled capacity is estimated across different development pathways – infill, redevelopment or vacant.

5.6 The enabled capacity is then assessed, and additional conditions and criteria are applied to determine how realistic it is for that capacity to be delivered. Essentially, a series of additional calculations are applied to each development option (at a parcel level) to assess that option from a commercial developer's perspective. I considered the following elements[16]:

(a) Plan enabled capacity (PEC) – the theoretical, or maximum, number of dwellings that could be developed on each parcel based on the planning provisions (e.g., minimum lots, set-backs, height limits, and so forth). The PEC considers different typologies, including detached, attached and apartments[17].

(b) Commercially Feasible Capacity (FC or feasible capacity) – the potential dwellings are assessed by estimating the anticipated development costs[18] and the potential sales prices. If a

[16] Submission 879.002 [Tasman District Council] requests that the analysis must consider commercially feasible and realisable capacity to be considered. My approach addresses these concerns and I consider the narrower capacity as part of this assessment.
[17] Where relevant.
[18] Based on construction costs ($/m^2), professional fees, contingency, acquisition costs, holding costs, and so forth.

development's potential sales price[19] is greater than the total costs plus a margin, then a development option is deemed 'feasible'. Crucially, the commercially feasible capacity is from a developer's perspective. I add a temporal dimension by adding anticipated market conditions i.e., how land values, improvement values, and sales prices will change over time. These changes are used to form a view of feasible capacity, over time. I also consider the FC for each development pathway and typology, as well as across different value bands.

(c) The FC is viewed in the context of anticipated household change, and potential affordability levels. I use anticipated household change (ageing) to drive estimated demand levels, and housing preference patterns to link housing demand over time to dwelling preferences (e.g., attached vs detached) and affordability.

5.7 The purpose of the modelling is not to undertake a sufficiency assessment, or to inform housing bottom lines, as required under the NPS-UD. Nevertheless, I consider *overall* sufficiency as part of my assessment – sufficiency is a key requirement of the NPS-UD[20]. A full sufficiency assessment needs to also consider infrastructure capacity, and 'realistically expected to be realised' (RER) capacity. I have assumed that appropriate infrastructure would be available to support growth. In terms of RER capacity, the eventual development pattern is influenced by how the development sector responds to demand patterns, affordability, preferences, and locational choices.

5.8 My modelling covers many dimensions with the results providing a range of development capacities. At the most basic level, each model run returns twelve[21] sub-sets of capacity, showing combinations of:

(a) Development pathway (redevelopment, infill, vacant), and

[19] Based on an analysis of historic sales prices across different locations (called submarkets).
[20] Objective 2: Planning decisions… supporting competitive land and development markets….
[21] This increases if building size-values, value-bands, locations and the different planning provisions are included.

(b) Development typology (detached, attached, terrace, apartments).

5.9 To make the results more manageable and digestible, I identify the development opportunity on each site that returns the greatest profit margin. This approach reflects a situation where a commercial developer considers the development options on a site, within the planning provisions, and selects the option with the greatest profit. Essentially, I evaluate all feasible development options, on each parcel, and identify the likely option to use in my analysis. The summary facilitates a consistent comparison of the NRMP, the notified PC29 and the revised zoning options based on the likely development pathway.

5.10 I note that the selection approach favours profitability, and returns one option. In reality, a developer could have a different set of motivations, and pursue a different development path e.g., developing luxury dwellings with different density, and a different margin. It is not possible to model the entire range of development options and motivations. Regardless, my approach provides an appropriate and consistent basis for comparing the proposed provisions.

5.11 My analysis focused on the intensification, or brownfield, development options. I did not consider greenfield developments as part of this assessment because PC29 focuses on enabling intensification. I have segmented housing demand into intensification and greenfield categories. This ensures that (intensification) capacity is evaluated against the appropriate demand levels.

5.12 I note that my modelling approach is consistent with the Ministry for the Environment (MfE) guidance relating to the NPS-UD, as well as the

approaches used across several other Councils as part of their HCAs and intensification plan changes.[22]

6. GROWTH OUTLOOK – POTENTIAL DEMAND

6.1 Population and household growth are key determinants of how much growth to plan for. There are uncertainties in any forward-looking projections. A scenario approach assists in understanding the potential spread of outcomes and is appropriate in dealing with uncertainty. Multiple submitters appear to suggest that the growth projections underpinning the PC29 assessment are too aggressive and that an alternative, lower set should be used.

6.2 Population projections are fluid, with StatsNZ constantly releasing new information and input data. Several projections have been used across the s32, HCA, and the current assessment. These projections were sourced from various providers, i.e., StatsNZ and DotLoveData (DLD). The methodologies used are similar, but the more recent projects (from DLD) use more aggressive assumptions for migration resulting in a larger population over time. Consequently, there are differences in the demand estimates used for the different assessments. The population projections used in the more recent assessments, specifically the HCA and my assessment of the revised zoning option, are higher than those underpinning the s32 and earlier PC29 assessment.

6.3 A key question is then if it is appropriate to use the higher projections.

6.4 I have compared the DLD and StatsNZ projections for both population and households, including the respective low, medium, and high sets. In Figure 1, I show the:

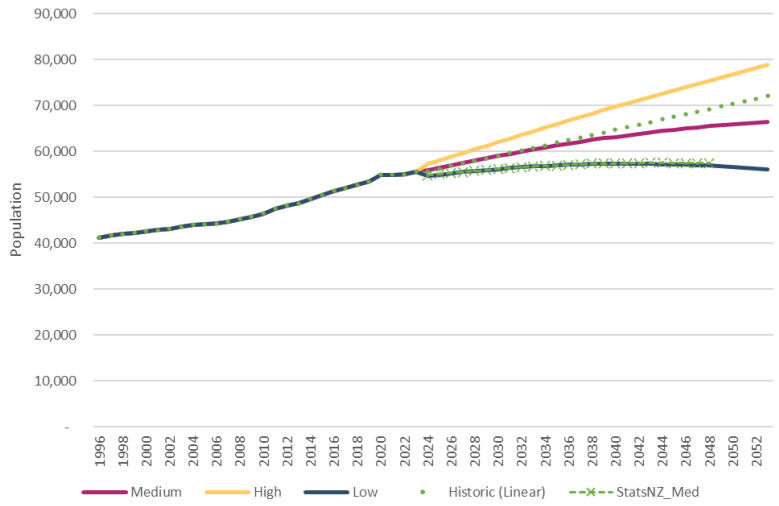
[22] This approach is consistent with that used by M.E in work for other Councils' Intensification Planning Instruments and plan changes, and work under the NPS-UD, including Tauranga City Council Napier City Council, Hamilton City Council, Waipā District Council, South Waikato District Council, Far North District Council, Rangitikei District Council, Rotorua Lakes District Council, Hastings District Council and Queenstown-Lakes District Council.

(a) historic population growth patterns going back to 1996,

(b) the DLD projections (low, medium and high).

(c) the outlook if historic growth continues linearly (this is a very basic approach and used as simple benchmark).

Figure 1: Comparing growth scenarios (DLD vs historic)



6.5 Compared against the benchmark, the DLD-medium growth[23] is in line with historic trends over the short and medium term, but then starts to drop below a linear path. If historic trends continue, then the adopted growth scenario (DLD-medium) is likely to understate growth.

6.6 The city's growth has tracked the StatsNZ high growth projections. My review of the Nelson Urban Growth Strategy 2004 confirms this viewpoint. The growth projections outlined in that strategy indicated that the anticipated population by 2021 would have been between 47,600 (low) and 53,300 (high). StatsNZ information suggests that the 2021 figure was 54,900. Accordingly, the StatsNZ high projections undershot actual growth by 3%, or 1,600 people.

6.7 In my view, **the selected projection set is appropriate** for the following reasons:

[23] The DLD-medium scenario aligns with the StatsNZ high scenario.

(a) Currently, migration is strong and supporting growth momentum and population expansion. This means that it is difficult to see population growth matching the DLD-low scenario (StatsNZ-medium) growth pathway over the short, medium or long terms.

(b) Using a low growth trajectory is inappropriate and inconsistent with the NPS-UD. In Appendix 1 I provide additional commentary relating to the NPS-UD objectives that will not be supported if the growth projections are too low.

6.8 In my view, basing the analysis of the revised zoning options on the DLD-medium projections (that aligns with the StatsNZ-high projection) is appropriate, because:

(a) This set follows historical trends, especially over the medium term (10 years),

(b) Using lower estimates will mean that known issues[24] around housing affordability challenges and high demand for houses are not addressed. In fact, this will not even support 'business as usual' outcomes (which are already constraining the market).

6.9 In addition, some submitters are seeking to use a 10 year period (not 30 years) in the assessment. Using a shorter timeframe does not have a material impact on the overall findings because both the demand and supply sides are integrated – both parts are considered. The supply side, specifically feasibility considerations, are influenced by market conditions and price movements. Using a shorter timeframe simply reduces the period over which these dynamics act but it does not change the resulting conclusions about the need for capacity. Similarly, the demographic patterns and changes take time to occur with household structures and income levels (affordability) influencing demand, over time. Further, it takes time to plan and build infrastructure so planning for relatively short

[24] Identified in earlier work by Council, such as the 2006 Nelson Urban Growth Strategy (December 2006). That report identifies housing affordability as an ongoing issue and high growth rates are also identified in the report.

10 years could mean that there is insufficient lead time to increase three waters capacity (for example).

6.10 In my view, it is appropriate to consider future growth that is based on the DLD-medium projections. The total demand includes the DLD-medium projections as well as other demand segments[25]. In addition, the required competitiveness margins outlined in the NPS-UD are also captured. The total Nelson-wide household growth projections translate into housing demand as follows:

(a)	Short term	2023-2026	800,
(b)	Medium term	2026-2033	3,025,
(c)	Long term	2033-2053	3,775,
(d)	**TOTAL**	**2023-2053**	**7,595.**

6.11 After adjusting for the greenfield-intensification proportions, demand for intensification is estimated at 3,190 over 30-years (including the relevant NPS-UD margin, and 2,710 excluding the margins)[26].

7. POTENTIAL SUPPLY (CAPACITY) – NRMP and NOTIFIED PC29

7.1 Development capacity is determined by the planning provisions. To comprehend the size of the change associated with the notified PC29 as well as the revised zoning option put forward by Ms Morgan, I estimated the enabled capacity and compare it against the NRMP. As mentioned earlier (para 5.6), I completed a wide-reaching assessment, covering plan enabled capacity, and feasible capacity. I synthesise feasible capacity based on the anticipated profit levels across development typologies[27] and pathways[28]. I also compare the feasible capacity against affordability constraints to form a view about how realistic the development options are. I interpret the modelling outputs to form a view about the likely economic outcomes of the different planning provisions.

[25] These include markets such as holiday homes.
[26] The greenfield demand is estimated at 4,410 dwellings (incl margins).
[27] The typologies include detached, attached, terraced or apartment developments.
[28] These are infill, redevelopment or vacant.

7.2 Plan enabled capacity is the theoretical maximum capacity. It is the starting point for the analysis. My modelling shows that the PEC is:

(a) NRMP 10,385

(b) Notified PC29 60,150.

These figures capture different typologies and pathways.

7.3 The notified PC29 enables a significantly greater quantum of housing capacity – around 6 time more than the NRMP. A key driver of the step change is the shift in densities and typology that is enabled (see Table 1, note the options are not cumulative and the typologies are mutually exclusive).

Table 1: Plan Enabled Capacity (redevelopment pathway)

Typology	Detached	Attached	Terrace	Vertical
NRMP	7,750	7,250	0	2,600
Notified PC29	19,950	20,700	14,050	42,850

7.4 Importantly, additional capacity is enabled across the different typologies. While vertically attached dwellings are the most prominent, other typologies are also enabled.

7.5 An important economic consideration of PC29 is that it enables additional capacity that will support the housing market by stimulating competition in the residential market, thereby generating benefits. Beyond the immediate change in enabled scale, PC29 will also enable greater diversity of housing typologies to be delivered. A consequent effect is that households will have greater choice, across:

(a) Typologies (detached vs attached),

(b) Locations,

(c) Price points.

7.6 The economic challenges and adverse effects associated with housing un-affordability in Nelson are well documented. Enabling sufficient capacity

to support a competitive market is crucial. While plan enabled capacity is crucially important, it is only a first step. Only a portion of PEC will be delivered by the market. The share that is eventually developed is based on the interplays between:

(a) Households' growth patterns and demand preferences, and

(b) The market's development patterns i.e., the type and location of new houses that are developed, and

(c) The overall feasibility and cost profiles of different development options.

Commercially Feasible Capacity

7.7 Commercially feasible capacity is an important part of understanding the housing market because it captures the development economics that a mainstream developer considers as part of his/her due diligence. If the anticipated sales price of a development option is greater than the development costs plus a developer's margin, then that development option is commercially feasible.

7.8 A developer could follow any one of a multitude of development pathways (or combinations) determining:

(a) How the site is used, i.e., redevelopment or infill,

(b) Which typology is delivered e.g., detached, or attached.

7.9 In my assessment, I considered these pathways, for each parcel across Nelson. In some instances, several combinations could be feasible meaning that the city-wide outcomes fall across a range of potential outcomes. To keep reporting succinct, I have identified the development option with the most favourable outcome from a developer's perspective[29].

7.10 In addition, feasibility changes over time. Construction costs, property values, and household income levels all vary over time and therefore total

[29] I have used the greatest financial return as metric for this process.

feasibility changes over time. I have considered these interplays as part of my analysis. I focus on the 30-year timeframe for the feasible capacity.

7.11 As mentioned earlier, the notified PC29 will enable more dwelling capacity than the NRMP. In addition to the change in scale, the notified PC29 also enables a shift in typology that is feasible (over the long term, 30 years):

(a) Under the NRMP:

(i) 3,175 detached dwellings are feasible,

(ii) 6,500 attached dwellings are feasible.

(b) Under PC29:

(i) 6,800 detached dwellings are feasible,

(ii) 37,400 attached dwellings are feasible.

7.12 My analysis of the feasible capacity highlights the scale of change once affordability considerations have been factored in (notified PC29 less NRMP):

(a) Detached dwellings +3,625,

(b) Attached dwellings +23,450.

7.13 Clearly, the notified PC29 will deliver a significant increase in dwelling capacity, including feasible development capacity. Spatially, this capacity is delivered across Nelson City. Using the areas associated with the Future Development Strategy as basis[30], I considered the spatial distribution of feasible capacity, and I use these to estimate the relative concentration of feasible capacity across the City. Relative concentration can be measured using a Tress Index[31]. An index of 100 means fully concentrated and, zero means equal distribution. Under the NRMP, the index is estimated at 32.3 and under the notified PC29, the index is

[30] As part of the HCA analysis, the FDS areas were used to delineate specific areas. I have used these areas as an existing spatial classification.

[31] A Tress index is used in economics to assess the degree of economic diversification in a particular region. It quantified how concentrated or diverse an economy is in terms of sectoral composition. I apply it using spatial areas to illustrate the degree of concentration and how this varies across the planning provisions.

estimated at 30.6. This means that the feasible capacity under notified PC is less concentrated despite being significantly greater – a lower concentration means that development is enabled across more locations. Therefore, PC29 enables greater locational choice compared to the NRMP.

7.14 Overall, notified PC29 will see significant increase in the plan enabled and feasible capacity relative to NRMP. I view the increase as an important, but not the only, element that supports a competitive housing market by enhancing choice. The notified PC29 lifts choice relative to NRMP by:

(a) Enabling more dwellings,

(b) Enabling greater variety through enabling more/different typologies,

(c) Enabling development in more locations.

7.15 Other important factors to consider are how the enabled capacity aligns with dwelling preferences, locational considerations, and other local considerations. After accounting for development economics, price movements, changes in demand levels and housing preferences, notified PC29 enables sufficient capacity across Nelson. This is especially the case when considering that that the estimated intensification demand[32] is for 2,710[33].

8. POTENTIAL SUPPLY (CAPACITY) - REVISED ZONING OPTION

8.1 I was asked to estimate the implications for a revised zoning option in response to submissions. The revisions relate to deleting the High Density Residential zone (HDRZ) and applying the Medium Density Residential zone (MDRZ) and allowing for high density on larger sites (HDLS) in Nelson's most accessible locations around the Inner City/Fringe

[32] As reported in the Housing Capacity Assessment to support the Nelson Tasman Housing and Business Development Capacity Assessment. January 2024

[33] Intensification demand is estimated at 3,250 with the NPS-UD competitiveness included.

and Stoke centre. This option also includes amendments to the zoning in Atawhai, Tāhunanui, the Brook & Mount St.

8.2 I have assessed the changes using the same modelling structure and I compare the PEC and feasible capacity of the revised zoning options relative to the notified PC29 as well as the NRMP. These comparisons are from an economic perspective.

8.3 With reference to the HDLS capacity, there are too many variables to accurately and robustly estimate the potential capacity associated with this aspect of the revised zoning option. I comment on this element separately. Therefore, the main difference between the notified PC29 and the revised zoning option as reflected in my capacity estimates is due to substituting the HDRZ with the MDRZ provisions.

8.4 The key points regarding the revised zoning option are:

(a) Plan enabled capacity 33,500

(b) Feasible capacity:

(i) Detached dwellings: 6,825

(ii) Attached dwellings: 23,450.

8.5 While the revised zoning option enables less development capacity than the notified PC29, it delivers significantly more capacity than the NRMP. The scale of change relative to the NRMP is:

(a) For detached dwellings +3,650

(b) For attached dwellings +16,950.

8.6 Relative to the notified PC29, the revised zoning option will enable marginally more detached capacity (feasible, +25), but less attached capacity (-13,950). This downward shift is expected and is due to the removal of the HDRZ and replacing it with the MDRZ.

8.7 In terms of the anticipated sales prices of the enabled capacity (i.e., the price points of feasible capacity), I calculated the weighted average prices

across all the development opportunities (i.e., the average $-value of feasible capacity). Table 2 reports these estimates.

Table 2: Weighted Average Prices (30 year $-values)

Typology	$'m (30 year)		
	Detached	Attached	**Total**
NRMP	1.79	0.98	1.25
Notified PC29	1.34	0.81	0.89
Revised zoning option	1.35	0.82	0.94

8.8 Under the NRMP, the total weighted average price is estimated at $1.25m with detached dwellings estimated at $1.79m for detached dwellings and $0.98m for attached dwellings. The weighted average prices under the notified PC29 and the revised zoning option are significantly lower than under the NRMP. *This downward shift in the price points of the feasible capacity is due to the shift in typology, and the smaller sites that enable more development options*.

8.9 Both the notified PC29 and revised zoning option enable feasible capacity at price points that are 25% lower than the NRMP. The weighted average price points for the notified PC29 and the revised zoning option are similar. At a total level, the revised zoning option enables more dwellings, across a lower value band distribution (vs the NRMP). The weighted average prices are:

(a) Detached dwellings $1.35m (25% less than the NRMP)

(b) Attached dwellings $820,000 (17% less than the NRMP).

8.10 Both the notified PC29 and the revised zoning option will have a positive effect on the Nelson residential market by providing choice and enabling more development across Nelson.

<u>High Density on Large Sites</u>

8.11 As indicated earlier, the revised zoning option provides for high density development on large sites[34]. Currently, very few sites satisfy the lot size

[34] Larger than 1,000m^2 and with street frontage or open space, in the spatial area that was zoned as high density in the notified PC29.

and street frontage condition (less than 70). In my view, the development capacity associated with the large sites is dependent on amalgamations to achieve the size condition.

8.12 I have attempted to quantify the potential development capacity associated with the large sites, and amalgamation potential[35]. To identify amalgamation potential, I reviewed:

(a) Site size,

(b) The data of title issue,

(c) Land values,

(d) Capital values, and

(e) Per square meter ratios (of land values and capital values).

8.13 However, it is difficult to form a robust view about the quantum of capacity associated with amalgamation because there are too many variables to consider. Nevertheless, in the Nelson context, the spatial extent associated with where the HDLS could be developed is located around areas of high accessibility. In my view, this is appropriate because it would support a well-functioning urban environment and support the economic functioning of the local centres. The HDLS will support housing choice and enable competition in the local market.

8.14 However, the spatial extent is important because it determines the number of development opportunities (i.e., high density on large lots). In turn, the total number of development opportunities must be viewed in the context of likely demand for those opportunities. A large spatial extent will enable many development opportunities, over a large area. As I have shown above, the demand for high density dwellings is relatively low. Therefore, a small number of high density developments could accommodate a large share of relevant demand. From an economic

[35] I have also had personal communication with other councils about their experiences re amalgamations and it is not something that is explicitly tracked as part of their monitoring activities.

perspective, the closer these developments are to the centre(s), the better because this will support the centres.

8.15 If the spatial extent is too great, then there is a risk that some development could be undertaken away from the centres, thereby reducing/diluting the benefits associated with concentrating development around/close to centres.

8.16 The spatial extent and the relationship with the enabled capacity and relative demand was highlighted in M.E's analysis[36] that supported the s32 report. That report asserts:

> *We consider that in some locations the spatial extent of the zone is large relative to the local market size and may result in development that is less integrated with the central node of amenity in the short to medium-term. This relates to the southern extension of the zone from the Inner City node.*

8.17 While this risk is somewhat mitigated by the HDLS revised zoning option, the risks remain. In my view the revised option better addresses the concerns about enabling high density dwellings by being more targeted at large sites and enabling typologies that are closer to potential demand, and development patterns observed in other locations (where development patterns shifted to medium density typologies).

8.18 My analysis highlights that the notified PC29, as well as the revised zoning option, both enable significantly greater feasible capacity than the NRMP. The enabled capacity is significantly greater[37] than the anticipated intensification demand. The capacity is more diverse in terms of scale, typology, location, and price bands.

[36] Nelson City Housing Plan Change – Economic Assessment. May 2023. Prepared by Market Economics. Authored by Susan Fairgray-McLean.

[37] I acknowledge that factors such as infrastructure readiness were not assessed here as one would normally do for a full sufficiency assessment as associated with the NPS-UD.

9. ANALYSIS OF SUBMISSIONS

9.1 The public submissions on the notified PC29 cover a range of themes and I comment on those that are within my field of expertise. These include:

(a) Relative demand for High Density Residential Zone (HDRZ) and the spatial extent of the zone,

(b) Other matters:

(i) Considerations around submissions around heights and densities;

(ii) Minimum height in greenfield areas.

Relative demand for the High Density Residential Zone and spatial extent

9.2 Multiple submissions were received in opposition to the introduction of a HDRZ. I have outlined the results of the revised zoning option that recommends removing the HDRZ above. I provide a further discussion below about relative demand and the spatial extent of the HDRZ.

9.3 An important part of PC29 is that it enables a wider range of dwelling typologies, across different locations. Enabling intensification and increasing densities in existing areas are essential to meet demand, support a well-functioning urban environment, improve housing affordability and choice. However relative demand for the typologies that are enabled should be considered against the anticipated market demand, including the location and extent of the enabled capacity. These relationships are captured by Policy 5(b) of the NPS-UD which refers to '*relative demand for housing… in that location*'.

9.4 Relative demand relates to how consumer behaviours change in light of market dynamics. In the PC29 perspective I see relative demand relating to how demand patterns change as housing typologies and pricing move, (across location), and *vice versa*. It relates to specific demand segments,

and the demand for typologies, and locations relative to other options, price points, and locations. Clearly, relative demand adds additional dimensions to assess how different demand elements relate to supply patterns. Relative demand is often referred to in terms of 'a preference shift' showing how households' demand change to higher density options. These include aspects such as:

(a) Location,

(b) Spatial extent,

(c) Typologies (height and density).

9.5 Crucially, relative demand should not be interpretated in a sufficiency context because sufficiency is assessed at an overall level. While a sufficiency assessment could include these aspects[38], the sufficiency assessment is unlikely to capture, or identify appropriate locations or spatial extents of provision.

9.6 I draw on my plan enabled, feasible capacity and household affordability analysis to understand relative demand. This is supplemented with historic information regarding housing preferences (attached vs detached) and development patterns. I have considered the concept of relative demand to form a view regarding the appropriateness of different levels of provision for higher density residential development within Nelson. I have considered:

(a) aspects of location (i.e., *where* it is applied); and

(b) within these areas, the spatial extent across which it is applied, and the scale (in relation to height). Height is influenced by development costs, as demand (affordability and typology preferences) and timing.

9.7 Spatially, the HDRZ (as per the notified PC29) is in a suitable location, and likely to support the Nelson CBD and its functioning within the centre-

[38] These can be integrated as part of the 'realistically expected to be realised' capacity as defined by the NPS-UD

hierarchy of the city. The same can be said for the HDRZ around the Stoke centre. High density zones next to key centres and areas of high accessibility are generally accepted as appropriate locations. The challenge is the spatial scale.

9.8 Under the notified PC29, the high density zone enables 26,700 commercially feasible development opportunities (for vertically attached apartments) and half (48%) of this capacity is in the High Density Residential zone. This is significantly greater than the anticipated demand for higher density dwellings. For context, the HBA 2024 analysis highlights that demand for attached dwellings (all format, including medium density and only in intensification) is 425 over thirty years. The relative demand is considered in several contexts:

(a) the level of projected demand – the relative share of total demand associated with attached dwellings is around 16%, and projected to increase to around the 20% market, over the long term[39]. A part of this demand is for high density (apartment) typologies. Regardless, the size of the feasible capacity relative to potential demand is significant. Even if all attached demand translates into actual uptake of high density opportunities, then less than 3% of the high density opportunities would be needed. Expressing this potential demand relative to the HDRZ (excluding high density capacity in the central city), suggests that 6% of all the feasible capacity could accommodate all demand for attached dwellings.

(b) the market for higher density dwellings in Nelson is not well formed, and is likely to take time to establish. This low level of local acceptance will constrain this segment and reduce delivery levels in the short to medium term.

(c) Nelson is a large urban area[40] and the total area, and topography means that households must make trade-offs during their spatial interactions within a city. These trade-offs affect the ability of a

[39] As assumed in the HBA 2024.
[40] Based on StatsNZ classification.

centre to support higher density development. The notified HDRZ accounts for 8% of the feasible capacity area (square meter of feasible capacity). Yet, the notif ied HDRZ accounts for almost a fifth (17%) of the feasible capacity opportunities. In the context of the relative demand, this level of provision, and spatial extent appears excessive in the Nelson context.

9.9 As part of the assessment, I have reviewed the development patterns associated with higher densities observed across New Zealand, including tier 1 and tier 2 councils[41]. However, there are only a handful of cities around New Zealand with specific high density zones. Drawing on consent information and focusing on apartments as a proxy for high density developments, shows that apartment developments appear to be concentrated in large tier 1 cities, specifically Auckland and Wellington City.

9.10 Apartment development across the rest of New Zealand's towns and cities form a small share of total development. The long term median for tier 1 and tier 2 regions is 5.9% and 2.6%, respectively. However, the tier 1 average is influenced by Wellington and Auckland – excluding these cities lowers the long term median to 2.4%. While these shares have been trending up, the observed patterns are less pronounced when Auckland and Wellington are removed. Apartment developments in tier 2 locations have been flat, with little apartment development and very limited movement towards higher density options. This is likely an artifact of historic planning provisions.

9.11 Importantly, the recent trends in tier 1 cities have been associated with a shift in typology from detached to attached typologies i.e., townhouses and flats. These typologies are generally associated with medium density developments. The share of total development that make up these typologies currently account for 34% of consents in tier 1 cities, and 20%

[41] As defined under the NPS-UD.

in tier 2 cities. The increasing importance of medium density developments as part of the housing mix is evident.

9.12 The recent shift in development patterns towards medium density typologies is ongoing but a shift towards high density typologies is more muted across both tier 1 and tier 2 locations. The average share of developments (consents) across tier 1 locations associated with apartments has remained reasonably stable around the 6% mark for the past decade (2013). In tier 2 locations, the share has been volatile, ranging between 10% and less than 2% - with the long term average 3%.

9.13 A by-product of the relatively low shares of development taking place as apartments is that there is limited data and spatial patterns to draw on to assess the spatial extent associated with high density, and the sustainability considerations. The available examples are mostly Auckland-centric and show that generally:

(a) Higher density residential development is only sustained within centres or in areas that are closest to the centres edge;

(b) Only sustained across greater distances (further from the centres) in markets where there is much greater demand (i.e., large markets);

(c) In markets where demand for higher density development is more established.

9.14 The timing, and how demand patterns could change over time are other aspects to consider. I evaluated the relationship between population and apartments in tier 1 and tier 2 locations. The housing markets in tier 1 locations are more mature and advanced. The patterns observed in these locations provide signposts around how the apartment markets could evolve over time in Nelson. Expressing recent apartment development total relative to population size (apartments per 1,000 population) makes it possible to apply the insights to the Nelson situation. My analysis shows that the number of apartments per 1,000 people ratios has been

relatively stable around the 0.2 rate for tier 2 councils over the past decade or so. In the pre-GFC environment, a small number of developments lifted the ratio.

9.15 The growth pattern and preference shift (towards apartments) observed in the tier 1 and tier 2 councils suggests that while an upswing is observed across tier 1 areas:

(a) Apartment developments' relative acceptance in tier 2 areas lag behind those seen in tier 1 areas. The revealed preference for higher density dwellings in tier 2 areas is significantly lower than that seen in tier 1 areas.

(b) Higher density options are becoming more attractive/acceptable. This change has been pronounced in tier 1. In tier 2 areas, this attractiveness/acceptance is improving, although the change is very slow, and considerably lower than observed in tier 1 areas. however, in cities with 50,000 to 100,000 residents, the change has been relatively flat over the long term, with little development.

9.16 These points confirm that tier 2 markets are less advanced in terms of demand for high density dwellings. This is also the case in Nelson City and confirms my view that the relative demand for high density dwellings is likely to remain muted for the medium term. Even if a higher growth pathway, with greater market acceptance of high density options manifests, the overall size of this demand will be limited.

9.17 The size of the market, i.e., relative demand, and the spatial extent of where higher density development is enabled, interact to determine the likely effects on centres. The spatial extent shows the distance from the centre. If the distance is too great, then the total capacity that is enabled is too great translating into a risk that a high density development could take place too far from the centre, thereby diluting any potential gains associated with concentrating development in/around the centre. These

concentration effects are associated with increased centre vitality and viability (due to higher demand close to the centre, easier accessibility, and amenity effects).

9.18 From an economic perspective I see the spatial extent of the HDRZ and the quantum of capacity it enables as exceeding local anticipated demand levels. Relative demand in Nelson for high density typologies is low, and not anticipated to expected to see large uptakes over the medium to long term. Demand patterns are more likely to shift towards medium density typologies (as enabled under the revised zoning option).

Other Matters

9.19 I deal with other matters raised by submitters below. These include:

(a) Changes to building heights and bulk rules;

(b) Encourage granny flats;

(c) Discourage subdivision of high density residential areas;

(d) Minimum heights in greenfield areas.

Changes to building heights and bulk rules

9.20 Submitters' views regarding building heights and bulk rules vary. Some submitters support increased heights and bulk provisions, and others oppose these provisions. Where submitters opposed, the notified residential zone building heights sought by them were generally lower than that proposed in each of the three new residential zones. The reduced building heights requested ranged from five storeys (generally specified as 16m) through to requests to reduce the operative building height down to one storey.

9.21 In contrast, one submitter requests to increase maximum building height to 22m. Likewise multiple submitters have requested various changes to the rules that control the bulk and location of buildings such as:

(a) Reducing the height in relation to the boundary (HIRB) controls;

(b) Increasing yard setbacks / building setbacks from boundaries;

(c) Reducing the site coverage for buildings and increasing the minimum impervious area;

(d) Increasing the sizes associated with outdoor living areas, privacy and outlook controls and amenity standards such as minimum unit sizes.

9.22 I have undertaken a sensitivity analysis to illustrate the potential effect of changing the height limits. I use the notified PC29 as basis to illustrate the potential effects on feasible of reducing the height limit by one storey. The feasible capacity decreases by 2,401 opportunities to 36,630 (attached feasible opportunities).

9.23 Using lower heights mean that the financial performance of potential development change. Altering the number of dwellings associated with a development opportunity shifts the number of units over which costs are recovered.

9.24 The outcome of lowering the height by one level in the notified PC29 across the HDRZ is broadly similar to the capacity resulting from the revised zoning option (for attached typology in aggregate). The weighted average price across the different options remains similar.

9.25 Overall, changing the height limits downward will reduce the development options that are available in the HDRZ, but will not change the weighted price.

9.26 With reference to higher height limits, I assessed the feasible capacity implications of enabling an additional storey in the HDRZ. As expected, enabling greater heights increases the plan enabled and feasible capacity. Lifting the height to include an additional floor-level sees feasible capacity increase by 8,340 across all attached dwellings (to 47,400). This capacity is significant, and out of alignment with the relative demand mentioned earlier.

9.27 In my opinion, enabling high density development at these levels is unlikely to resulting in a greater uptake of higher density living. As development increase in heights, so to do construction costs meaning that the potential sales price per unit does not reduce further. And in a small market such as Nelson, there is limited demand for high-end and high density living.

9.28 My analysis shows that lowering the height limits for the HDRZ reduces the yields without having a marked impact on weighted prices. Once the height limits are lowered to 3 and 4 storeys, then the yields under the vertical apartments and the medium density typologies converge (using the greatest profit approach, see para 5.9) to select between development options. This suggests that lowering the height limits erases any potential financial advantage that a high density development might have over medium density typologies.

Encourage granny flats

9.29 Multiple submitters asked Council to encourage small scale infill development such as granny flats, secondary residential units and tiny homes.

9.30 I note the notified PC29 enables such small scale infill developments with the introduction of standards that provide for up to three units as a permitted activity in all three new residential zones, see the s32 report - section 19.

9.31 I did not model small scale intensification as part of my assessment. One key element in my modelling is the land value component. With granny flats, no subdivision occurs and the dwelling remains associated with the original site. Therefore, the development financials associated with these typologies are difficult to model on a wide-spread (citywide) basis.

9.32 While small scale intensification could provide housing options in a small number of instances, I do not view this typology as a substitute for more formal intensification aimed at addressing urban intensification and enabling housing.

Discourage subdivision of high density residential areas

9.33 Tasman District Council (879.004) raises concerns with subdivision in the MDRZ and HDRZ. It appears that the submitter's belief is that subdividing land and the use of minimum lot sizes could undermine efforts to generate high(er) density developments around centres and in areas of high accessibility. There is merit in protecting the development options, but caution is needed to avoid unintended consequences, i.e., reducing the relative attractiveness of increasing density relative to the current situation.

9.34 I agree with the submitters implied notion that higher density developments around centres are more desirable than low density developments. There is an inherent trade-off between seeking to enable medium higher density developments in the short term, at the expense of higher density over the long term. The risk is that by avoiding subdivision over the short term, with the resulting shifts in development economics, the status quo is maintained. This position would be inconsistent with the NPS-UD.

9.35 Further, my analysis shows that the relative demand for attached dwellings is more likely to be associated with medium density dwellings, than high density dwellings over the short and medium term. Similarly, the long term demand for large, apartment-type developments is expected to remain muted for the foreseeable future.

Minimum heights in greenfield areas

9.36 Multiple submitters seek a two storey minimum building height set for new subdivision areas. I assume that this is seen as a way to increase density in those locations and therefore reduce total land requirements. Using building height as the sole way to control/influence density is likely to introduce several adverse effects. It is likely to have a negative effect on development costs because, for example mandating that all dwellings be double storey does not mean that detached dwellings will not be built (with a resulting shift to attached dwellings). Mandating double stories will simply force an increase in dwelling sizes, and therefore put upward pressure on prices. It does not necessarily translate into higher densities.

9.37 In my view, setting minimum heights in greenfield areas must be considered in terms of the likely trade-offs that will be made. That is, how would it change the development economics, and what alternatives are foregone, and at what price.

9.38 In my opinion, there are likely to be unintended consequences associated with setting minimum heights in greenfield areas. These must be considered in the context of the city-wide enabled capacity and the effects on shifting the mix of housing development options that would be available. In my view, the shift is likely to have adverse effects and will reduce choice and affordability.

10. CONCLUSION

10.1 I have estimated the plan enabled and commercially feasible capacity associated with the NRMP, the notified PC29 as well as the revised zoning option put forward by Ms Morgan in response to submissions. The notified PC29 and the revised zoning option both enable significantly more dwelling capacity than the NRMP. The additional capacity is important from an economic perspective because it supports the local residential market by supporting choice across:

(a) Locations,

(b) Typology, and

(c) Value bands.

10.2 The Nelson market currently favours (demands) detached dwelling formats. Preference is expected to shift over time in response to affordability challenges, demographic shifts and an increasing acceptance of higher density typologies. The revised zoning option will enable capacity that exceeds the anticipated demand, thereby supporting market functioning.

10.3 As part of the assessment, I considered submissions relating to my field of expertise. In my view:

(a) the population projections underpinning the assessment are appropriate;

(b) introducing minimum height limits in greenfield areas will impose additional development costs and undermine housing choice;

(c) there are trade-offs to consider when looking to protect future capacity for high density dwelling development. The trade-offs are likely to relate to enabling medium density development to cater for medium-long term demand instead of protecting capacity for uncertain demand (and likely to be limited) over the long term. This is likely to deliver a status quo outcome.

Lawrence McIlrath
Dated: 19/06/2024

Appendix 1: Relevant NPS-UD objectives that would not be supported if the DLD-low/StatsNZ medium growth scenario is used

Objective	Comment
Objective 2: Planning decisions improve housing affordability by supporting competitive land and development market.	If the planning process enables too few development opportunities (for residential), then a scarcity situation will arise, with adverse effects on the land and development market.
Objective 3: Regional policy statements and district plans enable more people to live in, and more businesses and community services to be located in, areas of an urban environment in which one or more of the following apply: (c) there is high demand for housing or for business land in the area, relative to other areas within the urban environment.	Understating the demand that is used to identify areas of demand, will mean that the planning process, and the evaluation of alternatives to meet the objectives will be misaligned, and insufficient areas, and inappropriate locations will be identified.
Objective 4: New Zealand's urban environments, including their amenity values, develop and change over time in response to the diverse and changing needs of people, communities, and future generations. **Objective 6**: Local authority decisions on urban development that affect urban environments are: (b) strategic over the medium term and long term;	Growth projections are forward-looking and understanding future demand patterns is important to ensure that the urban environment can respond in a timely fashion to emerging pressures