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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SUMMARY STATEMENT OF LAWRENCE MCILRATH

SUMMARY STATEMENT

Dated: 23 August 2024

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1. INTRODUCTION

1.1 This Summary Statement ("Summary") has been prepared on the basis that the Independent Hearing Panel ("Panel") has read my full Statement of Evidence. My Summary highlights:

(a) The key steps of my methodology;

(b) The key findings of the analysis, and

(c) Key comparisons.

1.2 I also comment briefly on submissions that are within my area of expertise.

2. METHODOLOGY

2.1 The methodology for the capacity assessment is consistent with that used by other Councils around New Zealand. The model structure underpinning the capacity assessment informed the s32 analysis completed as part of the PC29 process. The notified PC29 zoning is based on the preferred option as assessed and the revised zoning option is also assessed using the same structure[1].

2.2 The model structure has three main parts:

(a) The demand part,

(b) The capacity, or supply, part, and

(c) The overall position[2], that integrates demand and supply to indicative if there is 'enough capacity to meet demand'.

2.3 Each part has several technical elements that I do not cover in this Summary. At a high level, the different parts cover:

(a) The demand part is based on population and household projections as prepared by DotLovesData for Council. These

[1] 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.

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

projections are used to estimate total future demand and is broken down across housing types (i.e., typologies) and affordability.

(b) The capacity, or supply side, is generally more complex and is estimated using the following steps:

(i) The process starts with reviewing the planning provisions and relevant constraints (e.g., minimum lots, set-backs, height limits, and so forth), and the applying these at a parcel level to estimate Plan Enabled Capacity ("PEC"). The PEC considers different typologies, including detached, attached, terrace, apartments[3] and the development pathway (redevelopment, infill, vacant).

(ii) Importantly, zoned capacity does not guarantee development and a financial lens must be applied to determine if a development option is 'commercially feasible'. If a development option is expected to sell for 20% more than the development costs, then it is seen as commercially feasible.

(c) Next, the demand and capacity results are compared. Conceptually, this is a straightforward approach that determines if the enabled capacity is greater than the anticipated demand. At a technical level, a range of factors are integrated into the analysis, including:

(i) Household affordability,

(ii) Typologies and a preference shift to higher density typologies over time.

2.4 The methodology includes adjustments to reflect different timeframes. These adjustments reflect market trends, i.e., how land values, improvement values, and sales prices will change over time.

[3] Where relevant.

2.5 **Crucially, having feasible capacity does not mean all of that capacity will be delivered. Total demand determines how much commercially feasible capacity is ultimately delivered. My assessment focuses on the type and quantum of feasible capacity relative to demand levels.**

2.6 **While the methodology follows the structure as associated with a Housing Capacity Assessment, the focus is not a 'sufficiency assessment'. Instead, this analysis compares the estimated capacity associated with:**

(a) Nelson Resource Management Plan (NRMP),

(b) the notified Plan Change 29 ("PC29"),

(c) the revised zoning option included in the section 42A Report.

3. KEY POINTS OF THE ANALYSIS

3.1 I summarise the key points of the analysis by firstly presenting the demand elements, and then the supply/capacity points are dealt with.

Demand

3.2 The demand outlook is based on population and household growth projections.

3.3 There are several service providers that offer population projection services. In addition, population projections are constantly updated to reflect changing patterns, such as migration trends. Consequently, the population projections are somewhat flexible and varied. The more recent projections have seen upward adjustments.

3.4 The Council commissioned DotLovesData (DLD) to prepare custom projections[4]. I have compared the DLD projections against the Stats NZ's projections as well as historic/actual growth patterns for Nelson. The DLD

[4] 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.

medium scenario, the preferred option, aligns with Stats NZ's high scenario.

3.5 In my view, using the DLD medium scenario is appropriate because it:

(a) shows good alignment with the City's historic growth pathway over the medium term.

(b) reflects long term population dynamics, such as lower fertility rates and the ageing population.

3.6 Using lower projections, as requested by some submitters, (e.g., the DLD low or Stats NZ low projections) are likely to undershoot demand. Using too conservative estimates will mean that known issues[5] around housing affordability and high demand for houses are not addressed.

3.7 The projections are translated into total dwelling demand and adjusted for other considerations, such as holiday homes. In addition, a competitiveness margin is included. This margin is required by the NPS-UD and is intended to ensure that there is competition in the market (to lubricate and help the market function).

3.8 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.**

3.9 The demand is segmented to account for greenfield and intensification growth patterns. Over the 30 year period, the intensification portion is estimated at 3,190, and the greenfield portion is estimated at 4,410.

[5] 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.

3.10 I note that some submitters are seeking to use a shorter, 10 year period (not 30 years). Using a shorter timeframe simply reduces the period over which both the demand and supply parts are assessed. It does not change the resulting conclusions about the need for capacity.

Capacity/Supply (NRMP vs notified PC29)

3.11 The capacity analysis focus on intensification, or brownfield development options. I did not consider greenfield developments as my assessment focused on intensification –enabling more housing options within the existing urban areas.

3.12 My modelling covers many dimensions with the results providing a range of development capacities. To enable a comparison of the NRMP and PC29, I select the development outcomes for each site based on the option that will return the greatest profit margin.

3.13 PEC is the starting point for the capacity is the theoretical maximum capacity. My modelling shows that the PEC is:

(a) NRMP 10,385

(b) Notified PC29 60,150.

These figures capture different typologies and pathways. (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

3.14 PEC is an important first step. However, only a portion of PEC will be delivered by the market. The share that could be developed reflects how developers could responds and the product they could deliver (type,

location, price points). Developers' actions are informed by their motivations and ability to generate a return on the construction projects.

3.15 The ability to generate a return determines the commercial feasibility of each project. If the anticipated sales price of a development is greater than the development costs plus a developer's margin (20%), then that development option is commercially feasible.

3.16 I have estimated the commercially feasible capacity across Nelson. I have identified the development option with the most favourable outcome from a developer's perspective[6].

3.17 I considered the long term, 30 year position, and how feasibility changes over time as price, property values, and household incomes change over time.

3.18 Table 2 reports the commercially feasible capacity.

Table 2: Commercially feasible capacity

Typology	Detached	Attached
NRMP	3,175	6,500
Notified PC29	6,800	37,400

3.19 The scale of change is notable with the notified PC29 enabling significantly more dwellings across Nelson, with the difference being (notified PC29 less NRMP):

(a) Detached dwellings +3,625,

(b) Attached dwellings +23,450.

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

3.20 The notified PC29 enables sufficient capacity across Nelson. This is especially the case when considering that that the estimated intensification demand[7] is for 2,710[8].

3.21 I have also considered the spatial distribution of the feasible capacity. Under the notified PC29, feasible capacity is more distributed across Nelson that that enabled under the NRMP.

3.22 **Enabling sufficient capacity to support a competitive market is crucial. These shifts are very important from an economic perspective because it enables greater choice. Compared against the NRMP, the notified PC29 enables:**

(a) More dwellings,

(b) Greater variety and choice:

(i) The notified PC29 enables greater variety of typologies.

(ii) Greater diversity of location.

(iii) Price points.

Capacity/Supply (Revised Zoning Options)

3.23 I was asked to assess the revised zoning option[9] and I use the same modelling structure to estimate the PEC and feasible capacity. With reference to the HDLS capacity, there are too many variables to robustly estimate the capacity associated with this aspect. I comment on this element separately. Therefore, the difference in capacity estimates between the notified PC29 and revised zoning option is the effect of changing from the HDRZ to MDRZ provisions.

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

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

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

3.24 The key capacity figures for the revised zoning option are:

(a) Plan enabled capacity 33,500

(b) Feasible capacity:

(i) Detached dwellings: 6,825

(ii) Attached dwellings: 23,450.

3.25 It is worth remembering that the estimated intensification demand[10] is 2,710[11].

3.26 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.

3.27 Relative to the notified PC29, the revised zoning option will enable marginally more detached capacity (feasible, +25), but less attached capacity (-13,950). This change is due to the change from the HDRZ to the MDRZ.

Affordability

3.28 There are important tensions between affordability, and the price point at which a developer will respond to development opportunities. I calculated the weighted average prices (sales) across all the development opportunities. This value illustrate the price point at a developer will consider an opportunity. Table 3 reports these estimates.

Table 3: 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

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

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

3.29 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.

3.30 My analysis shows that 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.

High Density on Large Sites

3.31 The revised zoning option provides for high density development on large sites[12]. There are less than 70 sites that currently satisfy these requirements meaning that amalgamations would be needed to unlock these opportunities.

3.32 I have attempted to quantify the potential development capacity associated with the large sites, and amalgamation potential[13]. However, it is difficult to form a robust view about the potential capacity because there are too many variables.

3.33 In my view:

(a) The spatial location of the HDLS around areas of high accessibility is appropriate because it would support a well-functioning urban environment and the economic functioning of the local centres.

(b) Spatial extent is important because it determines the number of development opportunities. This number must be viewed against anticipated demand, which in the Nelson context is low. This imbalance introduces risks i.e., developments occurring too far from centres to generate any benefits to those centres, thereby

[12] 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.

[13] 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.

reducing/diluting the benefits associated with concentrating development around/close to centres.

4. SUBMISSIONS

4.1 The 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

4.2 The introduction of the HDRZ is opposed by several submitters. Without repeating the analysis in my evidence, the main points relating to the HDRZ in the Nelson context are:

(a) The size of the relative demand is important, and it relates to how the size of demand and potential changes in demand. These include preference shifts in response to price, or volume, changes.

(b) 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.

(c) Demand patterns are more likely to shift towards medium density typologies (as enabled under the revised zoning option). So even providing significantly more high density capacity is not expected to unlock an equivalent up-shift in demand.

Other Matters

4.3 Submitters raised points relating to:

(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

4.4 I have conducted a sensitivity analysis and adjusted the parameters to reflect submitters views. It shows that:

(a) Lowering height limit by one storey reduces the feasible capacity decreases without materially changing the price points – this reduces choice,

(b) Enabling an additional storey in the HDRZ increases the PEC and feasible capacity (+8,340 attached dwellings to 47,400). The size of demand issue remains - enabling more capacity is unlikely to facility greater uptake of uptake of high density living.

4.5 The relationship between developed intensity and costs drive these relationships - as development increase in heights, so to do construction costs.

Encourage granny flats

4.6 Multiple submitters asked Council to encourage small scale infill development such as granny flats, secondary residential units and tiny homes. I understand that the notified PC29 enables such small scale infill developments.

4.7 I did not model small scale intensification as part of my assessment. 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

4.8 A submitter raised 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 in the future.

4.9 In my view, there is a trade-off between protecting a future option at the expense of medium density developments in the short/medium term. Adding to the complexity is that demand is more likely to arise for medium density dwelling over the short/medium term that demand for high density over the long term. Demand for medium density typologies is also expected to be greater than that for high density typologies.

4.10 The risk is that by avoiding subdivision over the short/medium term, the status quo is maintained. This position would be inconsistent with the NPS-UD.

Minimum heights in greenfield areas

4.11 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.

4.12 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 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.

5. CONCLUSION

5.1 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.

5.2 **Enabling sufficient capacity to support a competitive market is crucial. While the revised zoning option enables less capacity than the notified PC29, it still enables sufficient capacity relative to projected demand. Compared to the NRMP, the revised zoning option:**

(a) Enables more dwellings (PEC and commercially feasible)

(b) Enables greater variety and choice:

(i) greater variety of typologies.

(ii) greater diversity of location.

(iii) At lower price points.

Lawrence McIlrath
Dated: 23/08/2024