

National Policy Statement on Urban Development: Summary of Housing and Business Assessment for Tasman 2024

Summary of Housing and Business Assessment

In August 2020 the National Policy Statement on Urban Development (NPS UD) came into effect. The main purpose of the NPS UD is to encourage competitive land and development markets to improve housing affordability. The NPS UD proposes this by requiring councils to compile evidence which would better inform council planning decisions. Part of this evidence base includes the three-yearly Housing and Business Assessment (HBA). Tasman District Council (TDC) has produced HBAs previously in 2018 and 2021.

Due to its size and growth rate, TDC (together with Nelson City Council), needs to ensure that there is sufficient capacity of residential and business land to meet demand in their “urban environments”, over the short term (3 years), medium term (10 years) and long term (30 years). The Joint Committee of the Nelson City and Tasman District Councils resolved on 10 November 2020 that the Nelson Tasman urban environment comprises the following city and towns: Nelson, Richmond, Motueka, Māpua, Wakefield, Brightwater, Cable Bay and Hira, in recognition that these communities are part of the same labour and housing market, and these areas are or are intended to be predominantly urban in character.

The HBA provides the analysis to assess whether sufficient development land, of the right type and in the right place, can be provided by the Council. There is also a joint HBA with Nelson City Council (NCC) that provides the same analysis for the combined Nelson Tasman urban environment. Since Tasman comprises both an urban and rural environment, the HBA assesses demand and capacity for both parts.

The NPS UD is prescriptive in nature and makes the HBA a rather technical document. This summary highlights important aspects of the evidence, to aid Council planning decisions. TDC’s annual dwelling supply has remained high, above 400 dwellings per year since 2018, peaking at 600 dwellings in 2021 and 577 dwellings in 2023. The key findings and implications of this latest HBA are summarised below.

Demand for housing and business land

Population growth in Tasman has been higher in the past 5 years than historically, reaching 2.4% between 2019 and 2020 and averaging 1.2% p.a. between 2020-2023. Latest estimates find there are 59,400 people living in Tasman (June 2023).

Council’s population projections for Tasman forecast 12% growth between 2024 and 2034 to 67,900 people, then slowing to 16% growth between 2035 and 2054, totalling 78,800 people. Tasman typically experiences a net loss of young adults (usually 15-19 year-olds) and some older groups (70 years and older) but with a net gain in most other age groups. The ageing population is driving a change in the average household size across the District, with smaller households leading to further demand for more dwellings.

Demand for dwellings is expected to be relatively constant over the next 20 years, at approximately 400 dwellings per year for the whole District. Lower dwelling demand is projected for years 20-30 (300 per year) based on slower population growth. In total, 11,430 dwellings are needed over the 30 years to meet demand in the District.

A competitiveness margin of 20% is added to the demand for dwellings for years 1-10 and 15% for years 11-30, to try and ensure sufficient capacity is planned for in the event that some may not materialise. This increases demand to 12,644 dwellings for the whole District.

Most new dwellings are expected to be needed in Richmond and then Motueka, with smaller amounts in other towns. Using Council's Housing Preferences Survey 2021 which explored the Nelson-Tasman urban community's choice of housing type, it is clear that as at 2018 there was an undersupply of attached dwellings or apartments in Tasman. In 2018 only 10% of Tasman's housing stock comprised such dwellings whereas the survey showed 29% of people preferred and could afford such a dwelling. In 2022/23 stand-alone houses continue to be the dominant housing typology, with attached dwellings at 19% of Tasman's total dwellings in 2022/2023. This includes retirement village units and townhouses.

Demand for industrial and retail/commercial land in Tasman, including the competitiveness margin is for 25.76 hectares of industrial land and 9.77 hectares of retail/commercial land over the next 30 years. The business land demand forecasts in this HBA are significantly different from the 2019 HBA and are generally lower for Tasman. This is due to the reliance on models by different consultants, which use varying assumptions and methodology. Given the uncertainty in assessing business land demand and capacity in Tasman's towns, it is important for Council to keep up to date with anecdotal evidence of shortages of sites for particular businesses, through discussions with applicants and developers.

Capacity of housing land in Tasman

The main objective of the HBA is to demonstrate whether sufficient capacity of housing and business land exists in the Nelson Tasman tier 2 urban environment. In Tasman, there is insufficient capacity of housing land in the medium term in Motueka, Brightwater and Wakefield. Some of this shortfall can be provided for in Richmond, but not all, hence an insufficiency exists overall in the medium term (2028-2034). Sufficient housing capacity exists in the short and long terms. The shortfall of capacity in the medium term may have an impact on affordability of housing by restricting new capacity, although its impact is likely to be small, as the 365 dwelling shortfall is 4% of the overall 30 year capacity of 8,644 dwellings in Tasman's urban environment. This is the first shortfall that TDC has identified in a HBA, with previous assessments in 2018 and 2021 finding sufficient capacity for 30 years for Tasman.

In Tasman District overall (including the rural environment), more than 13,000 dwellings will be provided for over the 30 years. Most housing land capacity will be provided in Richmond in the short, medium and long terms. The largest shortfall of housing land capacity is in Motueka over all time periods, amounting to over 1,300 dwellings, some of which can be provided for in Richmond. There are constraints to the growth of Motueka including its low lying nature, natural hazard risks and highly productive land. Significant servicing investment including a new wastewater treatment plant and a stormwater corridor is also needed for future developments in Motueka and this is phased over time in the Long Term Plan and Infrastructure Strategy.

Over the next 30 years there is insufficient capacity for attached dwellings in Tasman's urban environment across all time periods. Of the 8,644 dwellings that can be provided for in Tasman's urban environment, approximately 20% of these are expected to be attached dwellings, in existing and planned intensification areas. The shortfall amounts to at least 735 attached dwellings, with 295 in the first ten years. In respect of this shortfall, forthcoming housing plan changes (greenfield and brownfield) will strive to require as many attached dwellings as is commercially feasible.

Since the end of 2018, intensification of brownfield housing in Richmond has provided a net gain of 79 dwellings. This uptake shows the demand that exists for small medium density dwellings. Before intensification was enabled in Richmond by Plan Change 66, it was thought that the land should represent at least 70% of the value of the property, for intensification (by redevelopment) of a site

to occur. However in 2021 QV reported that the very introduction of the intensification rules in parts of Richmond has pushed land values up markedly, where the section has potential for redevelopment for multi-unit housing. Analysis of recent intensification in Richmond shows that several sites are being intensified where the land represents just over 50% of the value of the property.

Capacity of housing land in Nelson

In Nelson, sufficient general housing capacity exists in the short term and long term but not in the medium term, due to insufficient infrastructure in time.

Further broken down, for attached dwellings, there is sufficient capacity in Nelson's urban environment in the short term but not the medium or long term. However for detached dwellings in Nelson's urban environment, sufficient capacity exists for all time periods.

Capacity of business land in Tasman

Suitable development capacity of industrial and retail/commercial land can be provided in Tasman's urban environment overall. Approximately 60 hectares of industrial land and 75 hectares of retail/commercial land can be provided with no shortfalls over any time period.

The latest model forecasts relatively low amounts of demand for such business land. Should demand instead follow past building consent trends, it would be higher at 15 ha of retail/commercial (instead of 7.32 ha) and 60 ha of industrial land (instead of 15.77 ha). However there remains sufficient capacity to meet this potentially higher demand.

Capacity of business land in Nelson

NCC's HBA shows a shortfall of retail/commercial and industrial land across the medium and long terms, amounting to 27 ha of industrial land and 8 ha of retail/commercial land. The surplus of business land in Tasman is therefore needed to provide capacity for Nelson's shortfall. Further, if Tasman's industrial land demand follows recent building consents trends, rather than the model's latest projection, industrial land capacity could be tight for Nelson and Tasman.

Infrastructure ready land

The sequencing of development capacity informs the growth-related capital expenditure in the Long Term Plan. Water supply and wastewater infrastructure is inadequate to cater for growth over the medium term in Tasman, leading to a shortfall of housing capacity. This is despite Council investing \$409 million in growth related infrastructure over the next 30 years and having a dynamic debt cap of 160% (\$452 million by 2033/34). Some infrastructure projects in the Long Term Plan are planned for years 2-10, meaning the capacity for new dwellings will not be realised until after year 10.

By the long term (years 11-30) all the feasible housing land capacity will be zoned, serviced and able to be developed. The difference exists in the medium term as there is capacity that will not be serviced by year 10.

The growth predicted affects the busiest roads especially State Highway 6, which is not in Council's ownership. The area of most concern is between Richmond aquatic centre (boundary of TDC) and Three Brothers corner (Richmond South). In this respect, the Hope bypass is Tasman's number 1 project in the 2024-2027 Nelson Tasman Regional Land Transport Plan. Investigations would start in the 2024/25 financial year and construction in 2027/28, lasting 3 years (funded by Central Government).

Housing affordability

According to the Ministry of Housing and Urban Development’s dashboard, house prices have increased by 113% in Tasman since 2015 and the Real Estate Institute of NZ finds that the median house price in Tasman is still above the national average in 2023. Corelogic also reports that Tasman’s house value to income ratio is higher than the national average (2023).

The Nelson Tasman Housing Preferences Survey 2021 found that 34% of respondents in the region could not afford to buy any dwelling and only 5% of these could afford a rental. The remaining 28% could not afford to buy or rent a dwelling.

There exists a significant mismatch in Tasman between demand for attached dwellings (generally smaller and potentially cheaper) and the supply of such dwellings. This is something that Council can influence with the rules in forthcoming plan changes to rezone land for housing.

While councils have a role to play in ensuring sufficient development capacity is provided, factors such as interest rates and banks’ lending practices (particularly the percentage of pre-sales required), greatly influence the end product and ultimate affordability of housing. The market delivering more dwellings does not currently mean that lower income households will be able to buy a dwelling.

Nelson Tasman combined HBA conclusions

The HBA for the combined Nelson-Tasman urban environment concludes that for housing land:

	Attached Dwellings			Detached Dwellings		
	Tasman urban environment	Nelson urban environment	Combined urban environment	Tasman urban environment	Nelson urban environment	Combined urban environment
Short Term	X	✓	X	✓	✓	✓
Medium Term	X	X	X	X	✓	✓
Long Term	X	X	X	✓	✓	✓

For housing overall (attached and detached), there is sufficient capacity in the combined urban environment in the short term and long term but not in the medium term, with a shortfall expected to occur around 2033, amounting to a deficit of approximately 600 dwellings by 2034.

The combined HBA concludes that overall for business land:

- There is sufficient industrial and retail/commercial land capacity in the combined urban environment in the short, medium and long term, based on demand in the latest model (rather than Tasman’s recent building consent trends)
- Sufficient business land (industrial and retail/commercial) capacity in the Tasman urban environment for all time periods
- Insufficient industrial and retail/commercial land capacity in the Nelson urban environment in the medium and long terms.