National Policy Statement on Urban Development Capacity:

Assessment for Tasman

November 2018

Contents

1 Executive Summary

This report is one of three that together comprise the Nelson Main Urban Area Housing and Business Capacity Assessments. This report covers Richmond, within Tasman District Council. Nelson City Council (NCC) has produced its own capacity assessment for the remainder of the Nelson Main Urban Area and there is a third bridging report prepared by both Councils, called "National Policy Statement on Urban Development Capacity Assessment – Nelson-Tasman Overview". The overview report summarises the capacity assessment for the whole Nelson Main Urban Area within both Councils.

1.1 Key Trends and Issues in the Housing and Business Capacity Assessment

1.1.1 Population Growth

Richmond's population is growing and household size is decreasing

Over the next 10 years, we expect an increase of 1,050 residents in Richmond. In order to accommodate this population growth and trend of smaller households, we anticipate a further 1,100 new dwellings will be needed and 150 new business lots created by 2028. It is not just the new residents who will need new dwellings, but also the existing population's smaller households adding to demand. This capacity assessment incorporates the extra margin of development capacity required by the National Policy Statement on Urban Development Capacity (NPS-UDC). Additional capacity for residential lots is also being provided because of the Special Housing Areas that were gazetted in Richmond in 2017. Business land is also being provided and a decision was made to provide for the extra margin of business land capacity, required under the NPS-UDC for the next 30 years, to all be provided in years 1-10.

Between 2028 and 2048, we predict a further 950 dwellings and 125 new business lots will be needed. There will be ongoing population growth over the next 20 years with the rate of growth slowing over time until it plateaus in years 2038-48 according to latest projections. In Richmond, a high population growth scenario is used to forecast residential demand for the next 10 years (2018-2028), and a medium population growth scenario is used to estimate demand beyond 2028. For business land demand, medium growth population projections were assumed for the entire period.

1.1.2 Where to Grow?

In Richmond, there is a plentiful supply of land for housing and business development in the short term and potential supply in the longer term

Supply of land in Richmond is not the problem. It is the provision of serviced land with infrastructure that is the financial challenge for a district with relatively small population and medium growth rates. Choices will need to be made in the longer term about whether continued development of high quality productive land for housing and business is appropriate or whether growth should be directed to other areas. The forthcoming Nelson Tasman Future Development Strategy will help guide such decisions.

1.1.3 Demographic Changes

Demographic Changes

Population increases for residents aged 65 years and over are forecast. The proportion of residents aged 65 years and over is projected to increase from 22% in 2018, to 37% by 2043, with a corresponding decrease in average household size. This is expected to increase demand for small dwellings. When the results of our 2018 Communitrak survey of residents were combined with household growth projections, it revealed that 30% of the future demand for housing in Richmond will be for units, townhouses, or units in retirement villages, and 40% will be for small houses[1]. With an ageing population and affordability issues, there is a risk of older people living in housing-related poverty.

1 Tasman District Council Communitrak Survey May 2018 http://old.tasman.govt.nz/policy/reports/resident-survey/

For Tasman District, NZ internal migration was the main source of population growth between 2013-2016 (2.4% of the total population growth of 4.4%).[2] Overseas migration contributed 1.5% for the same period and this excludes New Zealanders returning (0.2%). For the year ended June 2018, 0.7% of house buyers in Tasman were not NZ citizens/not NZ residents, similar to the proportion for Nelson and Marlborough. This is a relatively low proportion compared with most other local authorities, and lower than the national rate of 2.8%.[3]

1.1.4 Affordability and Tenure

Home ownership affordability – Tasman remains the third least affordable region nationally, behind only Auckland and Central Otago Lakes, creating more demand for private rented housing and social housing. However, social housing need is worsening in Tasman and the region has reportedly one of the lowest yields on residential rental property investment in 2017 at 3.5%, discouraging the private rented sector. While Tasman has traditionally been one of the highest home ownership Territorial Authorities in the country, with ownership at 75%, we are anticipating declining rates of ownership in the 2018 census as affordability worsens.

1.1.5 Commercial Feasibility of Residential Development

Commercial feasibility of some residential land for brownfield infill sites in Richmond is uncertain. Feasibility analysis of representative sites showed no or little profit margin and yet some have been successfully developed and sold. Minimal rollout of brownfield infill sites for housing in Richmond is assumed, at about eight lots per year over the next 30 years. This forecast is considered realistic, particularly given the number of recently consented infil developments and the number of proposals seeking resource consent. Commercial feasibility of representative greenfield residential sites in Richmond proved positive with profit margins of over 20%, at densities appropriate for the zoning. The proposed density however is not always profit maximizing according to the feasibility studies.

1.1.6 Business Land Availability

Tasman-Nelson economy's core productive base comprises primary and secondary sectors such as agriculture, forestry, fishing and manufacturing. There is also a growing service sector. However, over the last 15 years, the Tasman Nelson economy has become comparatively less productive in a New Zealand context. The regional economy has experienced significantly less net growth (on a per capita GDP basis) than all other regions in the South Island by a margin greater than 10%.[4]

Business land needs will be met despite losing 50 ha of deferred zoned business land in Richmond West to residential use under gazetted Special Housing Areas (SHAs). These decisions necessitated other areas of Richmond West being brought forward earlier for business land rollout. These same areas are dependent in the short term on a decision on an augmented water supply for Richmond, which will be made by the end of 2018. The Waimea community dam is the preferred solution to a looming shortage of water for urban supply and for the purposes of this capacity assessment it is assumed that it will proceed.

Ground-truthing of business land demand and supply– ground truthing of business requirements and capacity of existing business land in Richmond (including vacancies) is needed. Planned surveys and inspections in the near future will address these knowledge gaps and will inform future growth model reviews in terms of quality of supply. We will seek to achieve greater efficiencies by re-using vacant business land.

Feasibility of business land – Tasman's Growth Demand Supply Model assesses the cumulative effect of the Resource Management Plan's zoning, objectives and policies (where they exist) for each development area in Richmond. Where not yet zoned for development, the planning and infrastructure opportunities and constraints are considered and how they may affect the feasibility for future development. This analysis will be

2 https://insights.apps.treasury.govt.nz/ The New Zealand Treasury's Analytics and Insights team have recently developed the 'Insights' web app

3 https://www.stats.govt.nz/information-releases/property-transfer-statistics-june-2018-quarter

4 "Economic Demand Business Forecasting" Property Economics (2016) page 11

built upon with a visual inspection of all business sites in late 2018.

1.1.7 Infrastructure Constraints

Infrastructure to support growth is the challenge facing Tasman District Council
The required infrastructure investment, rather than availability of land, remains the major challenge to enabling development capacity. Two thirds of the population live in 17 settlements and the other third live in the rural areas. Together with the financial constraint of servicing such a large area with a relatively low population, a financial risk also exists for us of over investing in infrastructure and over supplying capacity. For residential growth, there are two clear fronts of growth in Richmond, one in Richmond West and one in Richmond South. Both of these growth areas are dependent on new water infrastructure in particular and improved stormwater network capacity.

Transport infrastructure
The existing transportation network in Richmond is coming under more pressure as the number of people living and working in Richmond grows. We have planned in our Long Term Plan (LTP) 2018-2028 a series of improvements to create road environments that are safer and better accommodate all road users. We are also currently preparing a Network Operating Framework (NOF) for Richmond with the NZTA and NCC. The NOF considers all forms of transport as well as how each mode interacts with the other.

1.2 Summary of Rollout for Housing and Business

Table 1 below shows the proposed rollout of housing land compared with the demand for housing in Richmond:

Table 1: Rollout of Residential Land Compared With Demand, Richmond

Richmond Settlement Area	Demand		
	Years 1-3 (2018/19 — 2020/21)	Years 4-10 (2021/22 — 2027/28)	Years 11-30 (2028/29 — 2047/48)
Dwellings required to meet demand (includes NPS margin)5	390	701	950
Totals planned in rollout	642	880	941
Under/over supply?	+252	+179	-9

The oversupply of housing land for Richmond is being driven by developers (through the SHAs) not Council. The risk of Council overinvestment in infrastructure is mitigated through a joint funding model between Council and developers for some key infrastructure.

Table 2 below shows the proposed rollout of business land compared with the expected demand for business lots in Richmond. The extra capacity required by the NPS-UDC for years 11-30 (16 lots), is all provided for in years 1-10:

5 Includes the additional margin of feasible development capacity over and above projected demand, of 20% for years 1-10 and 15% for years 11-30 (policy PC1 NPS-UDC).

Table 2: Rollout of Business Land Compared With Demand, Richmond

Richmond Settlement Area	Demand		
	Years 1-3 (2018/19 — 2020/21)	Years 4-10 (2021/22 — 2027/28)	Years 11-30 (2028/29 — 2047/48)
Business lots required to meet demand (includes NPS margin)	44	106	125
Totals planned in rollout	56	120	109
Under/over supply?	+12	+14	-16

The above summary assumes that the proposed Waimea Community dam will proceed. In the event that it does not, Appendix 5 of this report provides some further analysis.

1.3 The Future

The next review of the Growth Demand Supply Model (GDSM) is scheduled to commence in August 2019 in order to inform the LTP 2021-2031. Before that review takes place, it is proposed that a Future Development Strategy (FDS) for Nelson and Tasman will be completed, so it can inform at a strategic level, the next LTP and GDSM review.

In continuing to plan jointly with NCC, efforts will be made in future capacity reviews to align our growth models more closely. Our GDSM will continue to be improved, including incorporating some detailed requirements of the NPS-UDC. Quarterly monitoring reports required under the NPS-UDC are prepared regularly with NCC and these will continue to inform growth planning. They can be found on our website at https://www.tasman.govt.nz/my-council/key-documents/more/growth/housing/urban-development-capacity-reports/.

It is acknowledged that some ground truthing of business requirements and capacity of existing business land in Richmond is needed. Planned surveys and inspections in the near future will address these knowledge gaps, inform future growth reviews in terms of demand and achieve greater efficiencies in terms of supply.

By the end of 2018 a final decision on the proposed Waimea community dam will be made. This capacity assessment has been prepared on the basis that the dam will proceed. If it does not, appendix 5 of this report provides some analysis on how business growth may still be provided for, while an alternative augmentation solution is determined.

2 Introduction

The Nelson Main Urban Area is defined as a medium growth area according to the National Policy Statement on Urban Development Capacity. Its projected growth rate falls just below the 10% threshold for high growth at 9.95%. The next Territorial Authority population projections are due September 2019 based on the 2018 census. The medium and high growth areas are unlikely to be reassessed nationally before 2021. Richmond and nearby area units form part of the Nelson 'Main Urban Area' defined by Stats NZ, together with most of Nelson City's District.

2.1 Purpose

The purpose of this report is to demonstrate that we are enabling an adequate supply of housing and business land to meet demand. Its findings are based on the 2016 Growth Demand Supply Model (GDSM) review that informed the Long Term Plan (LTP) 2018-2028. Reporting is a requirement of the National Policy Statement on Urban Development Capacity (NPS-UDC) to carry out a housing and business development capacity assessment at least three yearly and to publish the assessment (policy PB1). The NPS-UDC requires Local Authorities to adapt and respond to evidence about urban development and the market activity in a timely way (Objective OC2). All medium and high growth local authorities are also required by the NPS-UDC to monitor a range of indicators on a quarterly basis and these reports are provided on our website (policy PB6). (See http://old.tasman.govt.nz/policy/reports/urban-development-capacity-monitoring-reports/).

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Part of our District falls within the Nelson 'Main Urban Area' as defined in the NPS-UDC. The term 'urban area' originates from Stats NZ and they are statistically defined areas with no administrative or legal basis. Figure 1 below shows the Main Urban Area extent in Nelson and Tasman Districts. It includes most of Nelson City's area and the following area units in Tasman - Richmond East and West, Aniseed Hill, Bell Island, Best Island, Hope and Ranzau.

This housing and business assessment (HBA) therefore only covers Richmond and the above area units within Tasman District Council (TDC). Our growth planning undertaken since 2005 is however district wide. As the NPS-UDC states, the application of policies PB1-PB7 is not restricted to the boundaries of the Main Urban Area. We may therefore choose in the future, in responding to demand from Richmond, to make land available elsewhere. The Future Development Strategy to be prepared in 2018/19 will help guide such decisions in the future.

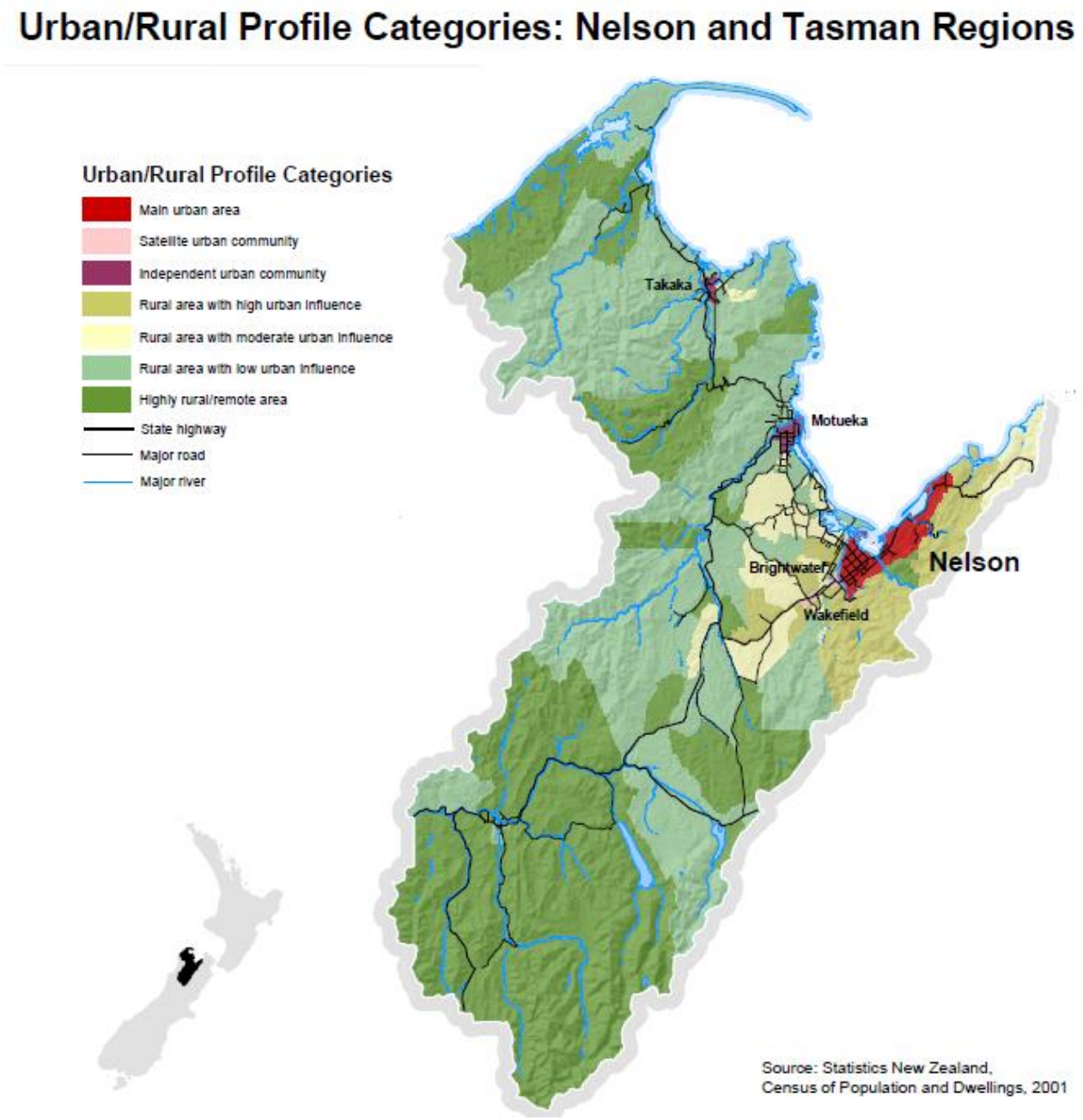

Figure 1: Nelson Main Urban Area. Source Statistics New Zealand Census of Population and Dwellings 2001

Stats NZ completed its update of population projections for urban areas in September 2017. For the Nelson Main Urban Area this concluded that population growth forecast between 2013 and 2023 has risen to 9.95%, as compared with 8.5% in 2016[6]. This means the Nelson Main Urban Area is still classified as 'medium growth', according to the NPS, falling just below the 10% threshold defining 'high growth' urban areas. The next Territorial Authority population projections are due September 2019 based on the 2018 census. We understand the medium and high growth areas are unlikely to be reassessed nationally before 2021.

6 Source – Proposed National Policy Statement on Urban Development Capacity Consultation Document, MfE & MBIE (2016)

3 Tasman's Capacity Planning Process – the Growth Demand and Supply Model

Our Growth Demand and Supply Model is reviewed every 2-3 years to inform the Long Term Plan process. The last review was in 2016. Between 2013 and 2016, most new titles and residential building consents were granted in Richmond South and Richmond East. Business building consents were mainly granted in Richmond's town centre and Richmond West. District wide our annual building consents usually hover around the 300 mark, but have risen to 400 in recent years. Residential building consents in Richmond alone exceeded 170 for the last financial year. Since 2013, in Richmond, 79% of building consents for new dwellings were for houses, 19% were for units in retirement villages, and 2% were for other units or townhouses.

3.1 Process

We have relied on our own GDSM for planning since 2005. It is a district-wide, long-term planning tool that provides population and economic projections for the 17 settlements and expected demand and supply for land and services for each settlement. Figure 2 shows the settlements.

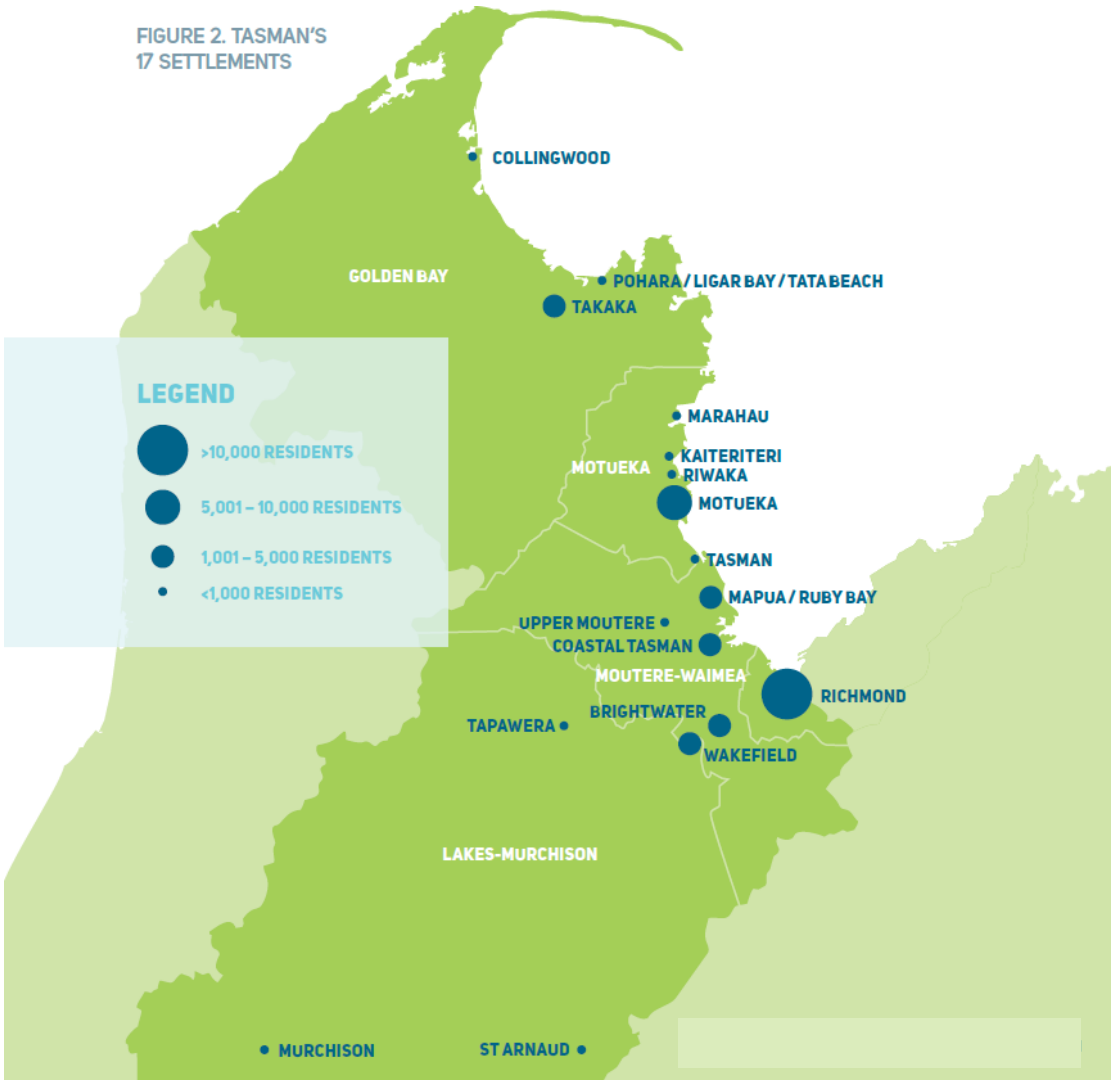

Figure 2: The 17 settlement areas within growth model (source- Infrastructure Strategy)

The GDSM itself has been well tried and tested over the years and is continually improved. The GDSM fulfils policies PB1-PB5 of the NPS-UDC in providing evidence and monitoring to support planning decisions. Details on how the model works are provided in Appendix 1. A 2017 update on the model's assumptions can be found on our website at: http://old.tasman.govt.nz/policy/growth-model/ .

Richmond is the largest urban settlement in the Tasman District by both population and land area. It is situated on the north-eastern edge of the Waimea plains close to the Waimea inlet, adjoining NCC's boundary.

In order to inform the LTP 2018-2028, the latest review of the GDSM commenced in August 2016 and was completed in January 2017. This was just after the final version of the NPS-UDC came into effect in December 2016. However, requirements such as the additional capacity margin required by the NPS-UDC featured in the draft, and they were incorporated into the 2016 GDSM review.

The GDSM is reviewed every 2-3 years, in synch with the LTP. The next review will commence in August 2019. The model itself is continually improved every two years and in 2016, a completely new platform was built. In summary, a review of the GDSM involves the following steps as shown in Figure 3:

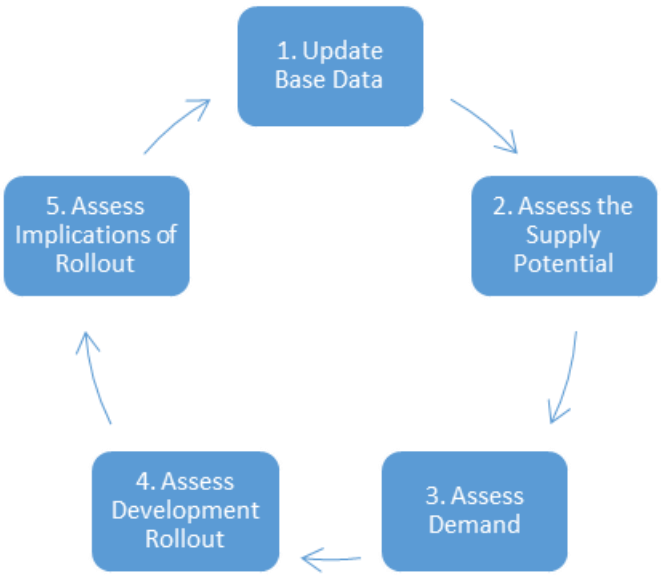

Figure 3: The GDSM Process

Building consents monitoring has shown Council (district wide) hovering around 300 residential Building consents per year since 2005, (except for 2009 and 2011 which could have been explained by the Global Financial Crisis), rising to nearer 400 in more recent years. Residential building consents in Richmond alone exceeded 170 for the last financial year. Since 2013, in Richmond, 79% of building consents for new dwellings were for houses, 19% were for units in retirement villages, and 2% were for other units or townhouses – see Figure 4 below.

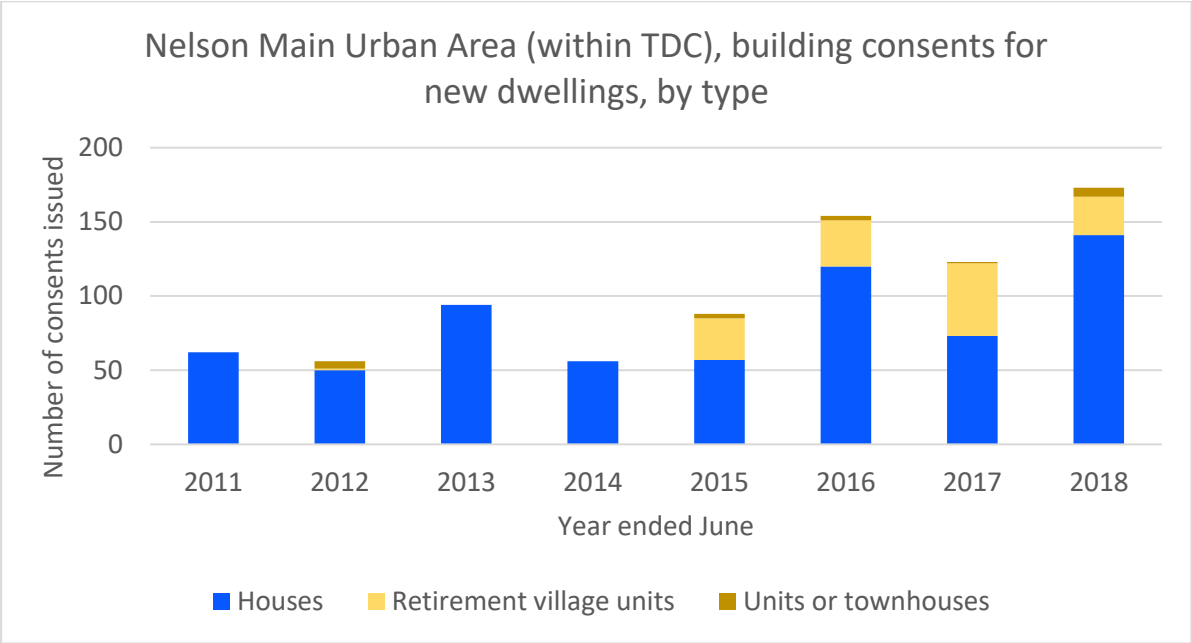

Figure 4: Residential Building Consents by Dwelling Type, Nelson Main Urban Area within TDC

The settlement area (SA) boundary for Richmond used in the GDSM is similar to the boundary of the Main Urban Area under the NPS-UDC. A map showing the difference between the two boundaries is provided in Appendix 2. The SA is reviewed every 2-3 years with consideration given to whether the boundary needs to be changed or the shape of DAs or new DAs created. The SA boundary is for planning purposes and does not indicate the extent of future development.

4 Assessment of Demand for Housing

Richmond's population has been growing by at least 1% annually since 2007. The only age bracket forecast to increase between 2018 and 2043 is 65 years plus. By 2043, the 65 year plus age bracket will form more than one third of the population. Household sizes are decreasing and most of the projected growth will be in smaller households, especially one or two people. Due to lack of housing affordability, it is anticipated that between the 2013 and 2018 censuses, ownership, traditionally very high in Tasman, will decline. However, Tasman has one of the lowest yields on residential rental property investment in 2017 at 3.5%, so this may constrain growth in the rental sector. Social housing need continues to increase, along with the number of 'priority A' applicants. The size of new dwellings in Richmond has declined over recent years, with sizes peaking at an average of 224 sq. m. in 2014 and declining to 180 sq. m. in 2018. There has also been growth in the number of units and townhouses. The growth model estimates that we need an additional 1,100 dwellings in Richmond between 2018 and 2028 to meet demand and a similar amount of dwellings between 2028 and 2048. In Richmond, it is forecast that 30% of the future demand for housing will be for units or townhouses, or units in retirement villages, and 40% will be for small houses.

4.1 Current Consumption Patterns of Population

In 2013[7], 85% of Richmond's housing stock was separate, stand-alone houses. Census data does not indicate the size of the house or whether it is on a lifestyle property. However, as an indication of size, 22% have one or two bedrooms, 44% have three bedrooms, and 34% have four or more bedrooms. 11% of Richmond's occupied housing stock was units/townhouses. Census data does not indicate which units were in retirement villages however.

In 2018, in Richmond the average size of a new house was 180 sq. m., compared with 116 sq. m. for retirement village units and 127sq.m. for other units or townhouses. The size of new dwellings in Richmond has declined over recent years, with sizes peaking at an average of 224 sq. m. in 2014. There has also been growth in the number of units and townhouses.

4.2 Future Broad Demand Patterns

4.2.1 Growth Model Outputs for Richmond

Traditionally we have used medium series population projections district wide to reflect the most likely scenario of population growth for the GDSM. However, the 2016 review ran different growth scenarios for different settlements. This was largely due to growth in the District occurring at a faster rate in some settlements than predicted by the GDSM in the 2014 review. For the larger settlements, including Richmond, Council preferred high growth population projections for 2018-2028, followed by medium growth projections for 2028-2043.

Further analysis of the Nelson Main Urban Area population growth projections was commissioned from Infometrics in July 2017. It concluded that based on recent historical population growth and the current macroeconomic and migration backdrop, the assumption that Nelson Main Urban Area will experience population growth exceeding 10% between 2013 and 2023 is entirely reasonable. Population growth in the Nelson Main Urban Area exceeded 10% over the period 2007-2016. For every year over the past decade annual

7 2013 Stats NZ Census data

population growth was 1% or above. We have also seen record net migration inflows affecting Nelson and Tasman in recent years.

On that basis, for Richmond (residential), Stats NZ's high growth population projections were used for 2018-2028 plus the NPS-UDC extra margin of capacity (+20% years 1-10, and +15% 11 – 30 years). Medium growth projections were used for 2028-2048. For business, the medium growth population projections were modelled throughout[8].

Table 3: Population Projections for Richmond from GDSM

Richmond	Years 1-3 (2018/19—2020/21)[9]	Years 4-10 (2021/22—2027/28)	Years 11-20 (2028/29—2037/38)	Years 21-30 (2038/39–2047/48)
	15112	16157	16607	16607

As table 3 shows, population growth is forecast until 2038 when it is expected to plateau.

Table 4: Household Size Projections for Richmond from GDSM

Richmond	Years 1-3 (2018/19—2020/21)	Years 4-10 (2021/22—2027/28)	Years 11-20 (2028/29—2037/38)	Years 21-30 (2038/39–2047/48)
	2.55	2.5	2.4	2.3

As table 4 shows, the average household size is expected to decrease from 2.6 people per household in 2018 to 2.3 people per household by 2043.

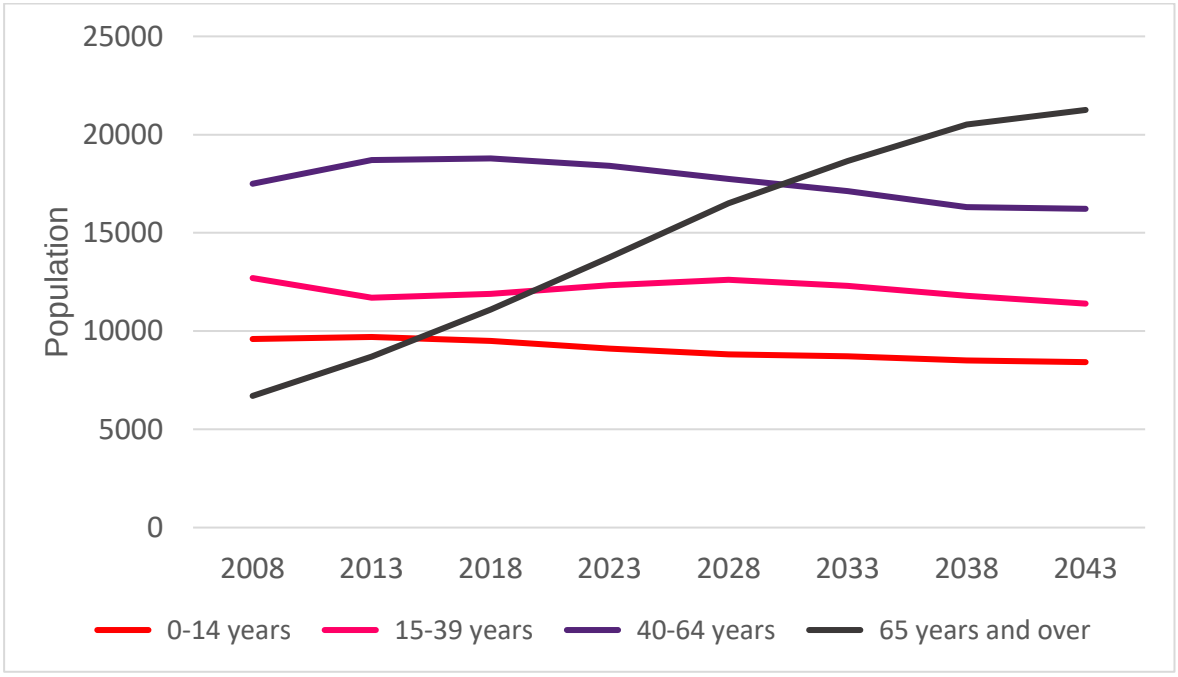

Figure 5: Tasman Population by Age Group

As Figure 5 shows, the proportion of the population aged 65 years and over is projected to increase between 2008 and 2043 and is the only age bracket to increase over this whole period. By 2043 the over 65s will form 37% of the population in our District.

8 All projections used are Statistics NZ Subnational Population Projections 2013(base)-2043 update (released 22 February 2017). The low projection uses low fertility, high mortality, and low net migration for each area. The high projection uses high fertility, low mortality, and high net migration for each area.

9 Financial years

The New Zealand Treasury's Analytics and Insights team have recently developed the 'Insights' web app[10]. For Tasman District, NZ internal migration was the main source of population growth between 2013-2016 (2.4% of the total population growth of 4.4%). Overseas migration contributed 1.5% for the same period and this excludes New Zealanders returning (0.2%). For the year ended June 2018, 0.7% of house buyers in Tasman were not NZ citizens/not NZ residents, similar to the proportion for Nelson and Marlborough. This is a relatively low proportion compared with most other local authorities, and lower than the national rate of 2.8%.[11]

The number of dwellings required for Richmond forecast by the GDSM is set out below:

Table 5: Number of dwellings required to meet demand in Richmond 2018-2048

Richmond	Demand		
	Years 1-3 (2018/19 — 2020/21)	Years 4-10 (2021/22 — 2027/28)	Years 11-30 (2028/29 — 2037/38)
Dwellings required to meet demand[12]	390	701	950

The 2017 Growth model summary at http://old.tasman.govt.nz/policy/growth-model/ provides details of the methodology for the GDSM but the model does calculate demand for dwellings for non-residents, such as holiday houses or temporary worker accommodation. Some of Council's settlements such as St Arnaud, Kaiteriteri, Marahau, Pohara/Ligar Bay/Tata Beach, and Collingwood have significant proportions of holiday homes. This is not such an issue for Richmond however.

4.2.2 Demand for Different Household Groups

According to the latest household projections from Stats NZ, most of the projected growth for Tasman will be in smaller households, particularly consisting of one or two people. It is assumed that this trend will be similar for Richmond, as it has a similar age profile to the District as a whole.

In the 2018 Communitrak Survey of residents, we asked a question about people's preferred housing type, based on their current housing needs and budget. The survey revealed that the majority of Richmond's[13] one-person households prefer smaller dwellings, either a small house[14] (46%), a unit or townhouse (17%) or a unit in a retirement village (17%); and while almost half of Richmond's couple-without-children households also prefer smaller dwellings, 37% prefer a larger house[15]. 15% would also prefer a lifestyle block.

By combining the housing type preferences from the Communitrak residents' survey and projected growth of each household type for Richmond, we can conclude that 30% of the future demand for housing will be for units or townhouses, or units in retirement villages, and 40% will be for small houses.

[10] https://insights.apps.treasury.govt.nz/
[11] https://www.stats.govt.nz/information-releases/property-transfer-statistics-june-2018-quarter
[12] Includes the additional margin of feasible development capacity over and above projected demand, of 20% for years 1-10 and 15% for years 11-30 (policy PC1 NPS-UDC).
[13] Data is for the Richmond Ward
[14] Smaller than 150m^2
[15] Bigger than 150m^2

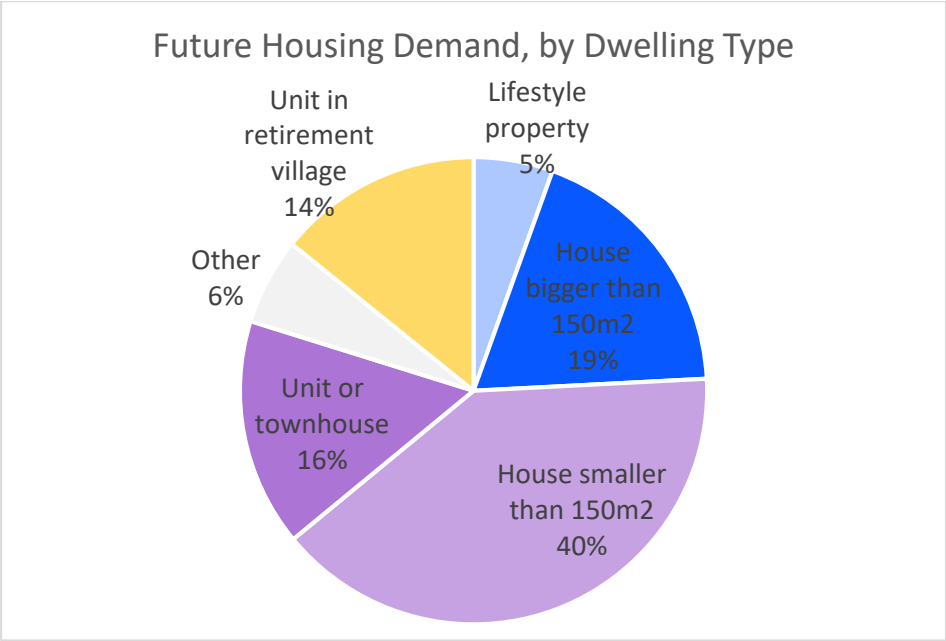

Figure 6: Future housing demand by dwelling type, Nelson Main Urban Area falling within Tasman District Council

With an ageing population and affordability issues, there is a risk of older people living in housing-related poverty.

4.3 Unmet Demand

4.3.1 Private Rental Stock

Table 6 below is from the 2013 census and shows that in Tasman 75% of dwellings were owned or in a family trust (where stated) in 2006. This is one of the highest proportions nationally. In 2013, this remained at 74.9%. The 2018 census will reveal how this has changed but it is anticipated that with affordability significantly worsening over the last five years, ownership will have declined.

Table 6: Dwelling Ownership in Tasman 2006-2013

Tasman District	2006	2013
Dwelling owned or partly owned	10,002	10,194
Dwelling not owned and not held in a family trust	3,864	4,353
Dwelling held in a family trust	2,085	2,850
Total households stated	15,951	17,400
Not elsewhere included	849	864
Total households, Tasman District	16,800	18,261

The report "A Stocktake of New Zealand's Housing" prepared for the Government in February 2018 provides some estimates of rental housing stock for Tasman between 2013-2017 as shown in Table 7:

Table 7: Regional Tenure Patterns and Estimates of Rental Housing Stock 2013-2017[16]

Region	Total housing stock 2013	% of dwellings not owned 2013	Stock not owned by occupants	Estimate of stock June 2017	Estimate of rental housing stock June 2017	% of dwellings rented in June 2017
Tasman	21,582	25%	5,400	22,700	6,100	26.9%

The report notes at page 8 that regions with the lowest proportions of rental housing nationally are Tasman (27%) and Marlborough (31%). The same report notes in Table 7 (page 55) that Tasman has one of the lowest yields on residential rental property investment in 2017 at 3.5%. Media reports and anecdotal evidence suggest that with continuing rising house prices in Tasman the rental stock is insufficient, yet with such low yields the private rental market is likely to be constrained.

4.3.2 Social Housing Need

As reported in the NPS-UDC Nelson-Tasman quarterly monitoring reports, (https://www.tasman.govt.nz/my-council/key-documents/more/growth/housing/urban-development-capacity-reports/), social housing need is increasing in Tasman. The Ministry for Social Development administers the Social Housing Register and as at December 2017 this showed for Tasman there were 40 applicants. In Tasman 27 of the 40 applicants are 'priority A' applicants (severe and persistent housing need that must be addressed immediately). According to the Social Housing Register, demand for housing in Nelson and Tasman is largely for 1 and 2 bedroom dwellings. By March 2018 the number of applicants had risen to 58 for Tasman and 44 of these are 'priority A'. According to the Housing Register, demand for housing in Nelson and Tasman remains largely for 1- and 2-bedroom dwellings.

The Housing Minister announced in March 2018 that 20 new state houses would be built in the Nelson/Marlborough region. Seven of these dwellings will be constructed in Nelson and will consist of three 2-bedroom homes and four 1-bedroom homes.

The Public Housing Plan 2018-2022 (released in August 2018) indicates that 30 public bed spaces will be provided by 2022 in 15 additional houses, for Tasman. These will likely be provided by both Housing New Zealand and Community Housing Providers.

In addition to social housing need, the need for affordable housing is pressing in the District, as shown by MBIE's housing affordability measures i.e. the number of those who earn sufficient not to qualify for social housing but insufficient to be able to afford market housing. Affordability is reported on in the quarterly monitoring reports produced by Tasman and Nelson and can be found at the link above.

[16] Table 7 "A Stocktake of New Zealand's Housing" February 2018 by Alan Johnson, Philippa Howden-Chapman and Shamubeel Eaqub

The 2016 review of the GDSM oversupplies capacity to meet demand in years 1-10 for housing in Richmond. 1,500 lots are to be provided by 2028, compared with estimated demand for about 1,100 lots. An oversupply in the short term is considered appropriate due to the increasing numbers of building consents being granted in Richmond and evident strong demand. Much of the oversupply is developer driven through Special Housing Areas. There are two clear fronts of growth in Richmond: Richmond West and Richmond South. Both of these growth areas are dependent on new water infrastructure and improved stormwater network capacity. 70% of future demand for housing in Richmond is projected to be for small houses or units. The capacity identified for Richmond complies with the NPS-UDC in that it is appropriately zoned and serviced, or in the longer term identified for servicing in the LTP or Infrastructure Strategy. The representative greenfield residential sites are all commercially feasible. The brownfield infill sites are not and yet some have since been built and sold. There also continues to be a growing number of intensive infill proposals in Richmond. Land ownership concentration is an issue with around 65% of the undeveloped residentially zoned land in the Nelson Main Urban Area owned by just ten people or companies. This is among the top three worst areas nationally for a large amount of land being held by a small number of owners.

5.1 Cumulative Effect of all Zoning, Objectives, Policies, Rules Overlays and Designations in Tasman Resource Management Plan

Round 1 of the GDSM undertakes a review of urban land supply potential (assessing opportunities and constraints for every Development Area (DA) within each settlement). It looks at land use effects, network and community services effects for each DA. This evaluation therefore assesses cumulative effect of the zoning and objectives and policies in the Resource Management Plan where they exist. Where not yet zoned for development, the planning and infrastructure opportunities and constraints are considered and how they may affect feasibility for future development.

A DA is defined as one continuous polygon within a settlement that if assessed as developable (i.e. net positive score from the criteria evaluation), is expected to contain a common end-use and density for built development. Some DAs may be assessed as unsuitable for development due to e.g. the existence of hazards.

5.2 Assessing Development Capacity (Sufficiency)

Sufficiency of development capacity is defined in the NPS-UDC as the provision of enough development capacity to meet housing and business demand and capacity that reflects the demands for different types and location of development capacity. Rounds 2 and 3 of the GDSM assess development capacity.

Round 2 of the GDSM evaluates the potential yield of positively scoring DAs and the potential supply of lots. More information is provided on this stage under “commercial feasibility of development capacity” below. Round 3 - development rollout - is the final round of the GDSM, where development of the sites supplied is forecast both in terms of location within the settlement and over a time horizon. The demand to be met is assessed at the same time. The rollout for Richmond from the 2016 review of the GDSM is shown in Table 8 below.

Table 8: Rollout for Richmond (supply of residential land) by Development Area[17]

Projections						Year Zero 2017/18		Years 1-3 2018/19 - 2020/21		Years 4-10 2021/22 - 2027/28		Years 11-20 2028/29 - 2037/38		Years 21-30 2038/39 - 2047/48		Remaining units	
						Meet demand		Meet demand		Meet demand		Meet demand		Meet demand		Meet demand	
	DA	Score	Existing Vacant Lots	Expected New Lots	Total Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots
	1	6	21	55	76	2	8	3	13	5	6	4	10	4	10	3	8
	2	8	16	763	779	0	6	2	10	5	38	4	50	4	40	1	619
	6	1	5	624	629	0	0	0	0	0	150	0	100	0	50	5	324
	8	1	12	767	779	12	62	0	200	0	300	0	100	0	100	0	5
	24	4	32	392	424	32	238	0	100	0	54	0	0	0	0	0	0
	25	1	2	10	12	0	0	0	7	0	0	0	0	0	0	2	3
	27	8	2	301	303	0	50	0	80	0	10	1	25	1	0	0	136
	28	7	4	100	104	0	0	0	0	0	0	0	0	0	0	4	100
	33	4	29	86	115	1	4	7	18	7	30	7	24	7	10	0	0
	34	2	5	90	95	0	0	2	52	3	32	0	0	0	0	0	6
	41	8	0	167	167	0	0	0	65	0	25	0	77	0	0	0	0
	42	1	0	64	64	0	0	0	0	0	0	0	64	0	0	0	0
	44	3	4	26	30	4	26	0	0	0	0	0	0	0	0	0	0
	46	3	87	163	250	0	0	0	0	0	0	0	0	0	0	87	163
	57	4	9	885	894	0	0	0	0	0	0	0	0	0	0	9	885
	58	2	16	1746	1762	0	0	0	0	0	0	0	0	0	0	16	1746
	59	1	13	73	86	0	0	2	10	4	10	4	10	3	10	0	33
	60	8	17	71	88	1	2	2	2	5	5	5	10	4	10	0	42
	61	8	16	275	291	2	5	2	10	4	15	4	30	4	50	0	165
	62	1	17	1	18	0	0	2	0	4	0	6	0	5	1	0	0
	63	2	7	12	19	0	0	1	2	2	4	2	3	2	3	0	0
	64	1	2	43	45	0	0	0	0	2	10	0	18	0	15	0	0
	70	3	4	255	259	0	0	0	50	0	150	0	50	0	0	4	5
	71	2	6	768	774	0	0	0	0	0	0	0	0	0	0	6	768
Subtotals						54	401	23	619	41	839	37	571	34	299	137	5008

Table 9 below shows the proposed rollout of land from above compared with the demand for housing in Richmond:

Table 9: Rollout of Residential Land compared with Demand

Richmond Settlement Area	Demand		
	Years 1-3 (2018/19—2020/21)	Years 4-10 (2021/22—2027/28)	Years 11-30 (2028/29—2047/48)
Dwellings required to meet demand (includes NPS margin)	390	701	950
Totals planned in rollout	642	880	941
Under/over supply?	+252	+179	-9

5.1.2 Conclusions on Assessing Development Capacity

There are two clear fronts of growth in Richmond, one in Richmond West and one in Richmond South. Both of these growth areas are dependent on new water infrastructure and improved stormwater network capacity and this is discussed further below.

After completion of the 2016 GDSM review, a number of Special Housing Areas (SHAs) were gazette in Richmond. The GDSM was subsequently rerun to take account of these and previous assumptions to expand

[17] *Units on existing lots* means existing consented vacant lots, obtained by a count of vacant lots with a minimum size threshold of 300 sqm. *Units on new lots* means lots created by subdivision.

Richmond southwards in the longer term, were reversed. This was largely due to the significant contribution large SHAs in Richmond West on deferred Mixed Business and Light Industrial zoned land would make to overall supply. An oversupply remained after taking the SHAs into account, but this was felt to be appropriate due to the increasing numbers of building consents being granted in Richmond and evident strong demand. The additional oversupply was also developer driven through the gazetted SHAs.

5.1.3 Zoning Status of DAs for Richmond Rollout (Residential)

As policy PA1 in the NPS-UDC states, capacity within years 1-10 is required to be zoned; and within years 11-30 is to be identified in relevant plans and strategies. The table in appendix 3 shows that the DAs in the development rollout are either appropriately zoned for Residential or Rural Residential to enable the supply. Where zoned deferred, the deferral has either been uplifted to enable development or can shortly be uplifted due to the existence of a developer agreement. The TRMP explains the deferred zone in chapter 17. The removal of the deferred status and the commencement of the new effective zone as listed in Schedule 17.14A (deferred zone locations), is effected by a resolution of Council when the required services have been provided, or can be provided, to the satisfaction of the Council. The Plan is then amended without further formality from that date of resolution, to show the new effective zone. We advise landowners when we have made a resolution. (TRMP 17.14.2(d)). The deferred zone rules in the TRMP enable either the Council or any person to provide the required services and any person may propose to service any part or all of any deferred zone area. In either case, the Council has to approve the servicing proposal, before the deferred status over the relevant part of the future zone can be removed by a resolution of Council. Services may be provided either before or after removal of any deferral. (17.14.20 TRMP).

Some of the larger SHAs were established on land zoned Rural 1 deferred Mixed Business and Light Industrial. These sites will be proposed for rezoning once resource consents are granted and there is certainty of the proposals being implemented. In all cases the SHAs are progressing towards this status. In the case of DA8 that is zoned Rural 1 deferred Residential, a developer agreement exists for services and it is able to be uplifted soon. Resource consent has already been granted for development of part of this site and an application is being put together for the remainder. In the case of DA42 that is required in the longer term (years 11-20), it is dependent on the low-level reservoir in Richmond and this project is in the LTP.

5.1.4 Range of Capacity Provided

As evidenced by the explanation of zoning status for each DA in appendix 3, the TRMP enables a range of residential capacity in Richmond. Different types of dwellings can be built, including standard, compact, comprehensive, intensive (including minor units), all with different development standards (see Figure 7 below). Rural residential is also enabled in Richmond although rollout of further land for this density does not feature in this review. This was due to SHAs being gazetted on parts of the land zoned Rural Residential and ultimately proposing development at a density higher than that envisaged by the underlying zone. A recent Plan Change for Rural Area rules in the Resource Management Plan has also enabled workers' accommodation, minor dwellings/attached housekeeping units and sleep outs on rural land. Outside of Richmond, Papakainga zones exist e.g. Motueka West within Te Awhina Marae that enable housing types such as community housing, short term accommodation and kaumatua units.

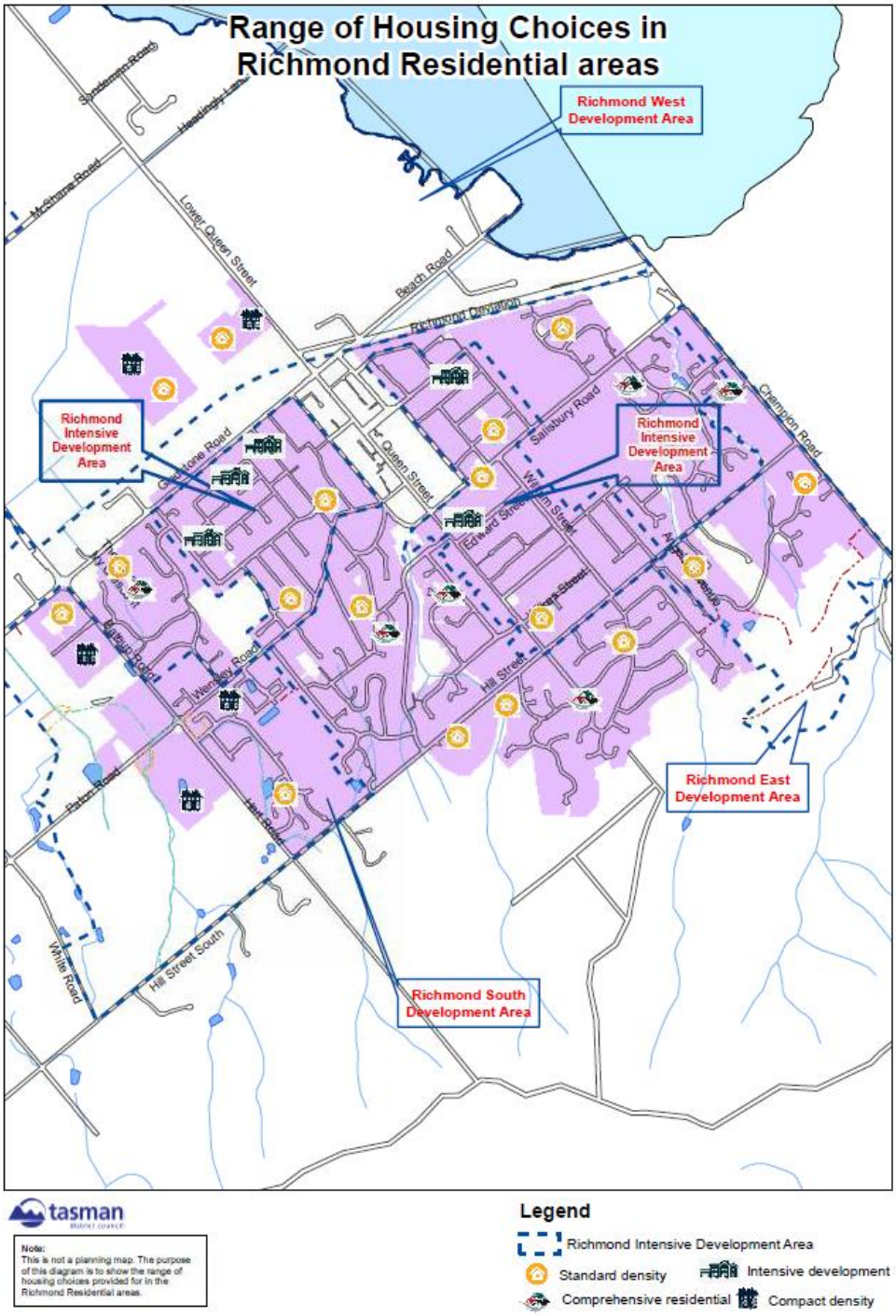

Figure 7: Different types of Urban Residential development for Richmond in the TRMP

Section 4 of this report identified that in Richmond, 30% of the future demand for housing is projected to be for units, townhouses, or units in retirement villages, and 40% is projected to be for small houses. Small houses were defined as less than 150 sq. m. in the Communitrak survey, units or townhouses were not defined by size. Round 2 of the growth model on yield assumed smaller typical lot sizes for the following DAs included in the land rollout for Richmond:

Table 10: Typical Lot Sizes assumed for Certain DAs in Richmond Residential Land Rollout

DA in Richmond	Typical Lot Size (sq. m) assumed in GDSM (round 2)	Comment
2	300	Richmond Intensive Development Area
6	450	SHA Richmond West
8	450	SHA Richmond West
24	450	Richmond South
44	250	Richmond West
59	400	Richmond East
61	350	Richmond Intensive Development Area
62	400	Waimea village
70	425	SHAs Richmond West

Remaining DAs in the Richmond land rollout all assume larger typical lot sizes. In the DAs of Richmond that feature in table 10, building coverage under the TRMP is generally 40%, rising to 50% in DAs 61 and 2 (Richmond Intensive Development Area). The average lot size in table 10 is 386 sq.m. Building coverage of 40% on a site of this size would provide a house of 154 sq. m. (less if outbuildings/garage were separate from the main house), equating to a "small" house as defined in the Communitrak survey. All the DAs in table 10 together provide just over 70% of the total rollout for Richmond. The Communitrak survey, when combined with projected growth of each household type found that 70% of the future demand for housing is projected to be for units, townhouses, or units in retirement villages, or small houses. The majority of DA70 comprises a consented retirement village currently being built. 17% of one-person Richmond households in the Communitrak survey preferred a unit in a retirement village as their housing type. This retirement village will deliver 267 units.

It is not an exact science. The GDSM predicts typical lot size based on existing or proposed zoning patterns. The subsequent resource consents may however propose a different density overall with variation within the subdivision. In the case of SHAs the eventual lot sizes can vary significantly from the underlying zoning.

In the gazetted Richmond SHAs, densities are greater than envisaged by the GDSM. For example for The Meadows SHA in DA6 the GDSM assumed 150 lots in years 1-10; the latest masterplan submitted for resource consent shows 471 lots, so a gain of 321 lots from the original forecast. Typical lot sizes are around 500 sq.m for standard residential, 300 sq.m for terraces and 350 sq.m for duplexes. DA70 comprises Arvida retirement village and The Fields SHA and the GDSM assumed 200 lots in years 1-10. Consented masterplans show 338 lots/units, so a gain of 138 lots/units from the original forecast. Similarly Applebyfield SHA (DA8), although at pre-application stage, proposes a greater number of lots than assumed in the GDSM.

5.1.5 Price efficiency indicator monitoring

In May 2018, following the release of price efficiency indicators for Nelson Main Urban Area, the data on the MBIE website was analysed. This was after extensive discussions with MBIE over some of the source data. The indicators comprise Price – Cost ratio (homes), Rural-urban land value differential and Industrial zone differential. Land ownership concentration was not available for Nelson-Tasman at that time but has since become available. The data has been monitored and the analysis is provided in Appendix 4. In summary, the analysis revealed the following:

- **Price-cost ratio indicator:** The price-cost ratio (gap between house prices and construction costs) peaked in 2004. It then declined steadily between 2004 and 2014. Since 2014, it has risen steadily with a marked increase between 2016-17. The latest ratio puts Nelson Main Urban Area just above the 'acceptable' threshold for supply of land being responsive to demand i.e. supply of land is not responsive to demand and insufficient development opportunities exist:

Table 11: Price-Cost Ratio for Nelson Main Urban Area – source MBIE dashboard

Price Cost Ratio	2014	2015	2016	2017
Year	**1.265**	**1.265**	**1.375**	**1.552**

- **Rural-urban land value differential indicator:** Nelson's Main Urban Area ratio is currently 2.10 i.e. urban land is valued at roughly twice the value of non-urban land or $153 per sq. m more. The cost per section of the rural-urban differential is estimated at $91,671 for Nelson's Main Urban Area by MBIE. Nelson Main Urban Area land values do not rise as you get closer to the town centres of Nelson and Richmond, conversely they increase steeply as you get closer to the rural-urban boundaries of both Districts. This is not the same as for e.g. Auckland and Tauranga. However, as in other cities, there is a significant drop off in land values at the rural-urban boundary itself. Since urban land in our area is worth twice the value of adjacent non-urban land, this apparently raises questions over the Main Urban Area's current plans and whether sufficient urban development capacity is provided today
- **Industrial zone differential indicator:** This indicator seems to reflect local nuances overall and may be of limited value for the capacity assessments.
- **Land ownership concentration:** Around 65% of the undeveloped residentially zoned land in the Nelson Main Urban Area is owned by just ten people or companies, with the largest land holding being 20.3%. It is difficult to determine the level of ownership concentration that will begin to have an effect on section prices but for comparison, the Nelson Main Urban Area is in the top three worst areas for a large amount of land being held by a small number of owners, along with Napier and Hamilton.

5.2 Capacity Supported by Development Infrastructure

The required infrastructure investment, rather than availability of land, remains our major challenge to delivering development capacity. Recent growth was higher than anticipated in the LTP 2015-2025 and has taken up considerable amounts of available infrastructure capacity. The combination of this and ongoing projected population growth in Richmond creates further demand for additional capacity in our infrastructure. This means bringing forward some infrastructure projects originally planned for later periods.

5.2.1 Water, Wastewater and Stormwater Infrastructure

The two main fronts of growth planned – Richmond South and Richmond West- will require completely new infrastructure in order to deliver water to the area, which will be largely funded by Development Contributions. The major infrastructure projects are:

- Low level trunk main from Richmond water treatment plant to low level reservoir
- Low level reservoir (Richmond South) tanks to provide storage for low level areas of Richmond West and South (these projects feature early in the LTP)
- Higher level reservoir in Richmond South and new trunk main proposed from Richmond water treatment plant to Richmond South – this services Richmond South in the longer term
- Borck Creek stormwater – ongoing upgrading of a new stormwater network
- Richmond water treatment plant capacity increase
- Headingly Lane pump station and rising main capacity upgrades – needed to assist with capacity arising from growth
- Lower Queen Street/Berryfield Drive intersection upgrade
- Nelson Regional Sewerage Business Unit (NRSBU) upgrades – trunk main for Richmond discharges into the Beach Road pump station that is owned and operated by NRSBU. From the pump station wastewater is pumped to Bell Island Wastewater treatment plant. Budget allowances are made in the LTP for NRSBU capital renewals
- Proposed Waimea Community dam

In Richmond West, approximately 800 new residential sections can be serviced using existing and improved services. Additional sections in Richmond West require the low-level trunk main and reservoir for water supply. This infrastructure will be provided by year 4 of the LTP. In Richmond South, 120 lots can develop without the proposed trunk main and low-level reservoir. Subsequent to this infrastructure being built, the remaining lots in Richmond South can be developed.

Stormwater infrastructure is not as critical as water for new greenfield development, as developers can always be required to provide on-site detention. However, the ongoing upgrade and widening of Borck Creek in Richmond West is important stormwater infrastructure for Richmond South and West. The transportation project upgrading the intersection of Lower Queen St with Berryfield Drive in Richmond West in year 6 of the LTP will cater for residential and commercial growth in the area.

In accordance with policy PA1 of the NPS-UDC, land required in years 1-3 is already serviced. Land required in years 4-10 is either serviced or the infrastructure project is in our LTP 2018-2028. Land required in years 11-30 depends on infrastructure either already in the LTP or Infrastructure Strategy. See LTP web links http://old.tasman.govt.nz/policy/plans/activity-management-plans/ and http://tdc.maps.arcgis.com/apps/MapSeries/index.html?appid=b784191f86a544bdbce1cf4a1d01463a for details of the projects. The Infrastructure Strategy can be found in volume 2 of LTP- http://old.tasman.govt.nz/policy/plans/long-term-plans/long-term-plan-2018-2028/.

In addition to above analysis of the GDSM rollout and infrastructure required to service that planned development, analysis has also been undertaken of how much capacity the infrastructure projects will provide for in years 1-10. Figure 8 below illustrates this; the figures on the vertical axis are number of sections.

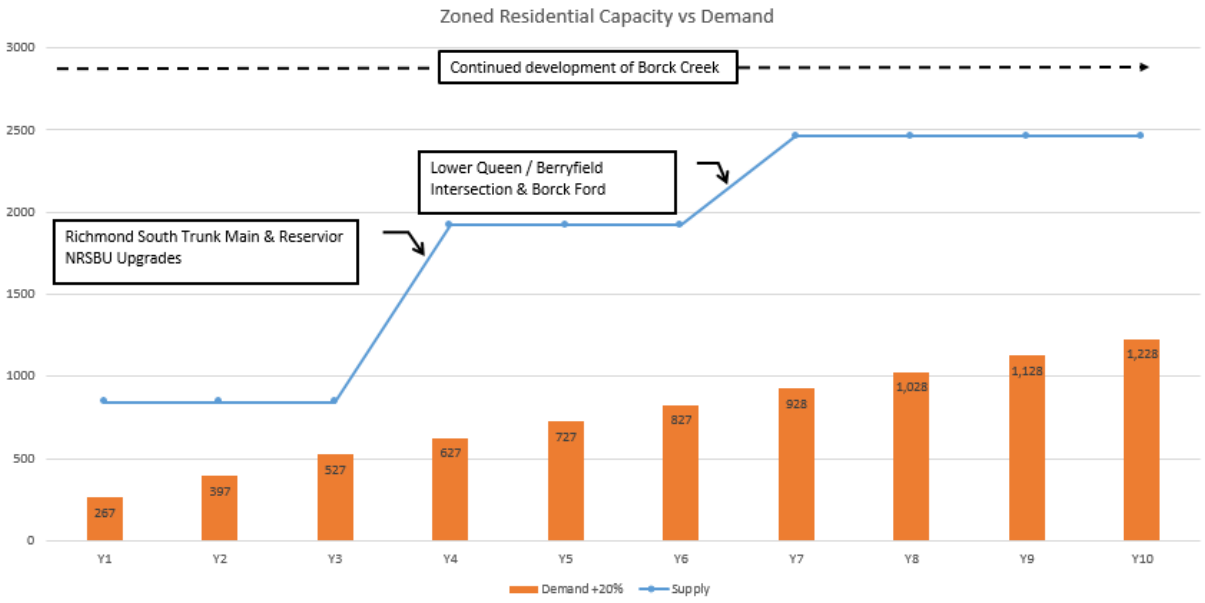

Figure 8 Residential capacity provided by infrastructure projects compared with residential demand

Analysis of the capacity provided by the infrastructure projects in the next 10 years shows that in years 1-3, 842 lots are provided for (compared with demand for 390 lots); in years 4-6 an additional 1,078 lots are provided for and in years 7-10 a further 543 lots are provided for (compared with demand in years 4-10 for 701 lots). The residential capacity provided by the infrastructure projects therefore exceeds demand in years 1-10 by 1,372 lots and this is discussed further in the joint "National Policy Statement on Urban Development Capacity Assessment – Nelson-Tasman Overview" report.

5.2.2 Proposed Waimea Community Dam

For water supply to Richmond for residential development in the longer term, the 2016 GDSM review assumed

that the Waimea community dam would proceed. In September 2018, Council voted in favour of the dam proposal. It remains subject to financial close in December 2018 and a final Council vote will occur at the end of November 2018.

Analysis during growth modelling was undertaken on the implications of a no dam scenario for Richmond (and other towns it will serve). This is provided in appendix 5. For residential development, this analysis showed that without the dam, supplying water to newly zoned land becomes difficult beyond 10 years and would constrain growth. Fortunately, due to the likely outcome of the SHAs providing higher densities of housing than anticipated by the GDSM, demand in years 1-10 would still be met and a significant oversupply is likely to exist. Implications of a no dam scenario for business land would be more critical and are discussed below in the business section 7.

It is widely accepted that water augmentation is needed for the Waimea catchment, but the cost and risk of the infrastructure is contentious. If the proposed Waimea community dam does not proceed then an alternative will take a minimum of 7 years to plan, consent and build.

5.2.3 Transportation Infrastructure

The existing transportation network in Richmond is coming under more pressure as the number of people living and working in Richmond grows. Roads such as Gladstone Road (SH6), Wensley Road, Salisbury Road, Champion Road, Oxford Street and Lower Queen Street are becoming less fit for purpose. In our LTP 2018-2028, we have planned a series of improvements for local roads to create road environments, intersections and active transport corridors that are safer for and better accommodate all road users. Until these road and footpath improvements are complete, we will carefully manage its road network to minimise the impact of growth, however increasing traffic volumes will inevitably lead to increased congestion and travel times in the meantime. We are also preparing a Network Operating Framework (NOF) for Richmond with the NZTA and NCC. The NOF considers the current and future state of the transportation network including how it should operate to meet changing needs of the community. It also considers all forms of transport and how each mode interacts with the other. Working and planning in collaboration with NZTA is critical as the State Highway network provides the backbone of the overall transport network and is the first to show signs of strain.

5.2.4 Reserves, Parks and Community Facilities Infrastructure

Major projects planned for the Richmond Settlement Area in the 2018 – 2028 period include the ongoing development of parks and reserves walkways/cycleways, including the Estuary walkway and the purchase of land for a new cemetery in the 2018/2019 year. Our forward planning through to 2038 needs to cover the provision of additional public toilets on reserves. These could be provided from funding from Reserve Financial Contributions received from subdivision development. New reserves and walkway connections will be identified as subdivisions develop, including in Richmond's SHAs. Further developments are planned for the shared Saxton Field recreation complex (with NCC) within the 2018 – 2028 period including further development of new playing fields, walkways, car parks and roads, and renewal of an existing hockey turf and the athletics track.

5.3 Commercial Feasibility of Development Capacity

Round 2 of the GDSM assesses potential yield of lots for positively scored DAs that have come through round 1 i.e. the supply potential. DAs are assessed for developability and this information has been useful for some of the data inputs required by MBIE's NPS-UDC development feasibility tool, in assessing commercial feasibility of the capacity.

For Richmond, the following six representative locations have been tested for commercial feasibility:

Greenfield:

1. Berryfield Drive, Richmond West – DA8 - subsequent to growth model review, Applebyfield SHA was gazetted on this site and two resource consents granted

2. Berryfield Drive, Richmond West – DA6 - subsequent to growth model review, The Meadows SHA was gazetted on this site
3. Hart Rise, Richmond South – DA27
4. Hill Street, Richmond – DA1 - subsequent to growth model review a SHA was gazetted on this site

Brownfield infill:

5. Elizabeth Street Richmond – DA2 – existing dwelling removed and 741 sq. m title subdivided into 3 lots with 3 new units provided

6. Dorset Street, Richmond – DA61 – resource consent granted for existing dwelling to be retained on large title (2152 sq. m) and subdivision creating four new lots with 4 new dwellings. Subsequent resource consent granted in May 2018 for a 3-lot subdivision comprising larger lots and it is currently being marketed.

For the greenfield sites the MBIE NPS-UDC development feasibility tool was used (residual value analysis method). Council staff undertook the feasibility analysis, with the assistance of a valuer and developers for various data inputs as well as verification of results. The feasibilities were shared with most developers, although some were less keen to be involved. Some input data obtained by NCC from consultants was also consulted. The feasibilities are provided in appendix 6 together with assumptions made.

For the two brownfield infill sites, feasibility analysis for Dorset St was first undertaken by a stakeholder group for a plan change (residual value method) and subsequently by a valuer (hypothetical subdivision approach). For Elizabeth St, analysis was undertaken by a valuer (hypothetical subdivision approach). The feasibility analysis for these brownfield sites was completed in advance of the NPS-UDC being published in association with Plan Change 66. The summary feasibilities are provided in appendix 6.

5.3.1 Conclusions on Commercial Feasibility of Greenfield Sites

The developers who assisted with completion of some of the cost fields in the MBIE NPS-UDC development feasibility tool made some observations on its assumptions:

- Where the land is flat a pressure system for the wastewater is used, instead of gravity feed, so costs per lineal m are not available - outdated
- Where in the model is allowance for power and telecoms connections?
- The model doesn't allow for staged development, rather it is a static model
- The cost of roading does not increase with increased densities as the model suggests
- The developers also provided further advice on key input data, if the resultant land value/sq. m was unrealistic at the end of the initial analysis

The following comments apply to the individual greenfield feasibilities:

1. Richmond West (DA8) – commercial feasible at densities 15-25 dwellings/ha, providing a return of over 20%. The proposals/consents are at an overall density of around 15 dwellings per hectare, therefore the analysis suggests a higher density would be more profit maximising. There are approximately 600 lots proposed over this area
2. Richmond West (DA6) - commercial feasible at a density of 15 dwellings/ha, providing a return of over 20%. The proposals are at an overall density of around 15 dwellings per hectare and this is the profit maximising density according to the model. There are approximately 470 lots proposed over this area
3. Richmond South (DA27) – commercially feasible at densities 15-25 dwellings/ha, providing a return of over 20%. A subsequent consent for 130 lots now being implemented, is at an overall density of around 15 dwellings per hectare, therefore the analysis suggests a higher density would be more profit maximising. This DA also comprises some undeveloped land
4. Richmond East (Hill St DA1) - commercially feasible at densities of 10-25 dwellings/ha, providing a return of over 20%. The density of development is actually much less than 10 dwellings/ha on this site but the feasibility tool does not model such low densities. The density proposed is only 2 dwellings/ha with

average lot sizes of 900 sq.m. in the denser part of development and 2,100 sq. m. in the rural residential part. This development is currently under construction.

5.3.2 Conclusions on Brownfield Infill Sites

Elizabeth St - a development feasibility assessment for Elizabeth St indicated a loss. However, this development went ahead and was extremely successful, so much so that the opposite lot in Elizabeth St was subdivided and developed in exactly the same way.

Dorset St - The Richmond Residential Advisory Group (RRAG), a stakeholder group for the Richmond intensification Plan Change 66 including a valuer, surveyor, developer and real estate agent used the residual value method for the Dorset St example and the analysis resulted in a loss. Telfer Young also undertook a hypothetical subdivision approach feasibility assessment of Dorset St and it resulted in unrealistically low market values of the five resulting lots. This development has not been built to date but a subsequent resource consent was granted in May 2018 for a 3-lot subdivision comprising larger lots and it is currently being marketed.

A key input in the brownfield feasibility assessments is buildings costs. For Elizabeth St, the valuer has assumed $2,600/sq. m, whereas for Dorset St $1,800/sq. m was used on advice of a stakeholder group. This item alone accounts for the majority of the cost difference in the two feasibilities, as this is a very significant proportion of overall costs. Other key variables include whether the land is considered at its market value as a 'cost' to the developer, even where it is already owned. It is not uncommon for developers to consider surplus owned land as "free" or at historic cost, which would result in a more favourable feasibility outcome. It is also not known whether a developer has to borrow money or not to undertake the development. Modular construction and other faster forms of construction may improve feasibilities for brownfield sites by reducing construction costs and time.

Following Plan Change 66 to enable more infill in Richmond, we expect more intensive brownfield developments around the town centre. In the last 3 years there have been an increasing number obtaining resource consent and being developed. In 2017, 16 lots were consented in Richmond for comprehensive infill developments (41 Oxford St, 36 Croucher St, 2 Arbour Lea Avenue and 7 Talbot St.) Further infill consents have been granted in 2018 and now that Pan Change 66 is operative further proposals are being submitted. Total rollout of brownfield intensive infill developments in Richmond is forecast at 243 in Richmond over the next 30 years. This is a modest rate of about eight per year and based on current take up rates seems feasible.

5.3.3 Consultation

During the 2016 review of the GDSM, consultation was undertaken with the development community including with our developer's forum, the District Health Board and with organisations such as Wakatu. 3 workshops were also held between July and August 2016, which a number of developers and property consultants and Chamber of Commerce attended.

This consultation led to changes to the model such as the inclusion of certain DAs in the proposed rollout of land, the timing of proposed rollout of land in certain settlements and assumed lot sizes in certain DAs. It also conveyed the development community's thoughts on amount of business land available in Richmond.

In addition, formal consultation under the Local Government Act 2002 was undertaken on the LTP 2018-2028 with the whole community in April 2018. This included the growth strategy and relevant activity management plans.

5.3.4 Conclusions on Sufficient Development Capacity

An oversupply of residential land is being provided in Richmond in years 1-10 and this is felt to be appropriate due to the increasing numbers of building consents being granted in Richmond and evident strong demand. Much of the oversupply is developer driven as a result of the gazetted SHAs. The capacity complies with policy PA1 of the NPS-UDC in that the DAs are either appropriately zoned or where zoned deferred, part of the

deferral has either been uplifted to allow rollout of serviced land in the short term, or the deferral can soon be uplifted. Some SHAs are gazetted on inappropriately zoned land but under HASHAA they can proceed to resource consent stage and be built regardless of the underlying zone.

A range of housing types is enabled by the TRMP in Richmond. Roughly 70% of the Richmond residential rollout falls within DAs where due to average typical lot size and building coverage rules, buildings of just over 150 sq. m are likely to be built. This coincides with the definition of "small" dwelling in the 2018 Communitrak survey of residents and the survey found that 70% of Richmond residents prefer small dwellings, units or townhouses (or units in retirement villages). Eventual dwelling size does however depend on the developer and is determined via a resource consent. It is not an exact science.

Price efficiency indicators show that the gap between house prices and construction costs has risen steadily to the point that Nelson Main Urban Area is just above the acceptable threshold for supply of land being responsive to demand. With the oversupply identified in this assessment and the forthcoming Future Development Strategy, it is anticipated that supply will be more responsive in the future. Land ownership concentration is a constraint in the area with 65% of undeveloped residentially zoned land in the Nelson Main Urban Area owned by 10 people/companies.

In accordance with policy PA1 of the NPS-UDC, land required in years 1-3 is already serviced. Land required in years 4-10 is either serviced or the infrastructure project is in our LTP 2018-2028 and land required in years 11-30 depends on infrastructure either already in the LTP or Infrastructure Strategy. Longer term development is reliant on an augmented water supply such as the Waimea community dam and this assessment assumes that the dam will proceed.

Proposed representative greenfield locations for residential development in Richmond have been demonstrated as commercial feasible. Brownfield locations have been less feasible according to various valuation methods yet some have since been successfully completed. The low level of assumed rollout for brownfield intensification, at only 8 lots per year for 30 years appears realistic based on current take up rates.

5 Business Demand

Tasman-Nelson's economy comprises primary and secondary sectors (agriculture, forestry, fishing and manufacturing) and a growing service sector. Over the last 15 years, however, it has experienced less net growth (on a per capita GDP basis) than all other regions in the South Island. The GDSM oversupplies demand for business lots in Richmond over the next 10 years. 176 lots will be provided compared with demand for 150 lots. Account has not yet been taken of vacancies in Industrial and Mixed Business zoned lots or buildings. Following an on-site survey planned for November 2018 greater efficiencies may result in the use of land. Capacity complies with the NPS-UDC as the DAs required for rollout are appropriately zoned. Some DAs are zoned deferred business for services and these deferrals will be uplifted as developer agreements are in place. The loss of 50ha of deferred business zoned land to SHAs at Richmond West necessitated other areas of Richmond West being brought forward for business land rollout. These same areas are dependent in the short term on a decision on an augmented water supply such as the Waimea community dam. In the event that this infrastructure does not proceed, alternative capacity scenarios are considered in this assessment. Assuming the Waimea community dam proceeds, DAs are capable of being serviced in the short term and in the longer term, the infrastructure requirements are in the LTP and Infrastructure Strategy.

6.1 The Local Economy

Tasman-Nelson economy's core productive base comprises primary and secondary sectors such as agriculture, forestry, fishing and manufacturing. There is also a growing service sector. However over the last 15 years, the Tasman Nelson economy has become comparatively less productive in a New Zealand context. The regional economy has experienced significantly less net growth (on a per capita GDP basis) than all other regions in the South Island by a margin greater than 10%.[18]

> *"The location and enabling of forecast growth in each of the Regions will be fundamental to both the long term competitiveness of the business environments and the wellbeing of the combined market as a whole. It is important to note that this will require co-operation and coordination between both TDC and NCC from a policy planning perspective, and it is essential for both councils to accommodate future business land demand in a unified market context. It is important when looking forward to ensure that enough zoned business land supply exists in the appropriate locations to facilitate future growth in the primary and secondary industries and enable the opportunity for Tasman Nelson's productive base and economy to expand and increase in relevance."* [19]

In the report commissioned by Council and NCC in 2016, Property Economics (P.E.) observes that Tasman and Nelson have similar retail compositions proportionately and that the combined market is relatively self-sufficient. For business, at a regional level the same report notes that employment is concentrated in the Stoke, Tahunanui (including Nelson airport), Port Nelson and Richmond areas. For industry, consents are occurring faster in Tasman than Nelson and Richmond is demarcated as the burgeoning hub of the industrial future for the region. Property Economics acknowledge the Richmond West hub as being in a strategic location for business activity for both regions, providing quick access to the State highway and south.

P.E.'s report notes that TDC and NCC are intrinsically linked and essentially operate as a single economic unit

[18] Economic Demand Business Forecasting" Property Economics (2016) page 11
[19] ibid

i.e. the planning boundaries are arbitrary in this context and not reflective of commercial market realities with many businesses servicing cross-boundary markets. *"This synergetic relationship is so entrenched, and will only strengthen moving forward, that the economies need to be considered as an integrated economic unit for long term planning purposes."* [20]

6.2 Assessing Demand

In 2016, an improved business land forecasting model was provided by P.E. that examines business activity and land requirements. Medium growth population projections were assumed for business demand for the entire period in the GDSM review, from 2018 to 2038.

The P.E. model incorporates national and regional economic and demographic trends to project both employment growth by industry and land requirements by activity (industrial, office, retail and commercial services). The model considers different growth scenarios, but advises that business growth based on current zoned land in the settlements across Nelson and Tasman is best. The zoned business land distribution approach of forecasting provides an appropriate recognition of the distribution of business activity on existing and zoned land and the role and function that each settlement plays in the region.

The P.E. model uses economic catchments for its forecasting for the Nelson-Tasman region, rather than separate settlement boundaries. It also produced projected demand by areas of land for three different types of business- industrial, commercial/commercial service and retail. (Commercial service includes services such as hairdressers, optometrists, dentists, law services that typically locate in retail centres but are not retail activities.) The Richmond economic catchment includes Mapua and Upper Moutere, as well as Richmond, so the business growth for the economic catchment had to be apportioned to the Richmond settlement.

To do this, demand forecasts were allocated on a pro rata basis to the settlement areas included in the catchment, based on the proportion of population in each settlement area. Medium series population growth projections were applied to P.E. business land forecast beyond 2038 to 2048 as required by the NPS-UDC, since the P.E. model only went to 2038. The categories of commercial and commercial service were combined as the TRMP does not distinguish between them. The P.E. business land forecast also included a "buffer" of 15% to cater for one off demands that cannot be predicted and to enable the market to benefit from a slight oversupply so that it doesn't suffer from artificial land price increases. This calculation resulted in the following business land requirement for Richmond settlement and the required extra margin of development capacity under the NPS-UDC has been added:

Table 12: Business Land Requirement for Richmond Settlement

Land Requirement for Richmond	Land Area Required 2016-2048
Commercial and retail floorspace	14.3 ha
Industrial land	1.7 ha

The GDSM requires demand to be expressed in the form of a number of lots rather than land area. To convert the area of land demanded to the number of lots, an estimate of the average or median lot size for the different categories of business was made. A full explanation of the method used to convert land demand for business to a number of lots is provided in Appendix 7. A survey of business land in the District to be undertaken in November 2018 will better inform future reviews with typical lot sizes by the different categories of business land.

P.E.'s economic study noted that the growth derived land requirements do not automatically translate into a net additional land requirement to be zoned for business activity, with large tracts of existing business land potentially vacant or underutilised. In the absence of data on occupancy of business land and premises for the District, the demand scenario above presents a worst-case scenario.

[20] ibid

The following demand for business lots in Richmond resulted (note retail and commercial demand is combined):

Table 13: Demand for Business Lots for Richmond from GDSM

Richmond Settlement Area	Demand		
	Years 1-3 (2018/19 — 2020/21)	Years 4-10 (2021/22 — 2027/28)	Years 11-30 (2028/29 — 2047/48)
Retail and Commercial Lots	35	83	86
Industrial Lots	0	0	9
Brightwater demand added to Richmond[21]	2	5	14
Subtotal	37	88	109
Total Business Lots required to meet Demand[22]	**44**	**106**	**125**

6.3 Existing Zoned Supply

Data for vacant industrial and commercial (office) activity in the form of either land or buildings was not available at the time of the P.E. report for our District. Vacancies for commercial (retail) floor space were, however, counted at the time of the P.E. report and commitments i.e. unimplemented resource consents were also taken into account. In November 2018, an audit will be undertaken for Richmond and other settlements of existing business land and floorspace vacancies. This data will therefore be available for future reviews of the GDSM. This will potentially add to Tasman's supply, so the study has so far presented a worst-case scenario with vacancies excluded.

Table 14 below indicates proposed rollout of business land for Richmond for development by number of lots from the GDSM:

[21] In the Property Economics report under the zoned distribution scenario Brightwater has an elevated industrial land demand due to the Carter Holt Harvey Mill (zoned industrial). This was decided to be an anomaly and that the estimated land requirements for Brightwater are more appropriately added to Richmond's future requirements – the adjacent settlement area with significantly more growth. However it was assumed that the future demand for industrial land in Brightwater was better estimated by assessing the demand for industrial land per head of population for the different year sets in Wakefield and applying it via the projected population in each year set for Brightwater.

[22] Includes the additional margin of feasible development capacity over and above projected demand of 20% for years 1-10 and 15% for years 11-30 (policy PC1 NPS-UDC).

Table 14: Rollout for Richmond (supply of business land) by Development Area[23]

Projections						Year Zero 2017/18		Years 1-3 2018/19 - 2020/21		Years 4-10 2021/22 - 2027/28		Years 11-20 2028/29 - 2037/38		Years 21-30 2038/39 - 2047/48		Remaining units	
						Meet demand		Meet demand		Meet demand		Meet demand		Meet demand		Meet demand	
	DA	Score	Existing Vacant Lots	Expected New Lots	Total Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots	Units on Existing Lots	Units on New Lots
	3	3	103	121	224	2	0	3	0	5	3	5	4	0	0	88	114
	4	2	2	3	5	1	1	1	2	0	0	0	0	0	0	0	0
	5	11	0	87	87	0	0	0	5	0	25	0	30	0	0	0	27
	7	1	4	3	7	0	0	0	0	0	3	0	0	0	0	4	0
	9	1	4	29	33	0	0	0	0	0	0	0	0	0	0	7	61
	10	2	3	42	45	0	3	0	5	3	20	0	14	0	0	0	0
	11	1	3	62	65	0	0	0	0	0	0	0	30	0	0	3	32
	12	1	17	26	43	3	0	5	0	5	0	4	0	0	0	0	26
	13	3	1	0	1	0	0	0	0	0	0	1	0	0	0	0	0
	35	4	3	11	14	1	0	2	0	0	0	0	2	0	0	0	9
	38	3	8	3	11	0	0	0	0	4	0	4	0	0	0	0	3
	43	3	2	45	47	0	20	0	0	0	0	2	10	0	0	0	15
	45	3	2	13	15	0	0	0	0	0	2	0	3	0	0	2	8
	56	2	2	89	91	0	0	0	30	0	50	0	0	0	0	2	9
	65	4	4	-1	3	0	0	3	0	0	0	0	0	0	0	1	-1
	69	1	1	265	266	0	0	0	0	0	0	0	0	0	0	3	397
Subtotals						7	24	14	42	17	103	16	93	0	0	110	700

Expressed in terms of hectares, the rollout of business land is set out in table 15 below.

Table 15: Rollout for Richmond (supply of business land) by hectares

Rollout of Land for Richmond	2016-2048
Commercial and retail floorspace	15.48 ha
Industrial land	4.05 ha

Table 16 below compares forecast rollout of business land (by lots) with demand for Richmond. As shown the extra capacity required by the NPS-UDC for years 11-30 (16 lots) is all provided for in years 1-10:

Table 16: Rollout of Business Land compared with Demand in lot numbers

Richmond Settlement Area	Demand		
	Years 1-3 (2018/19 — 2020/21)	Years 4-10 (2021/22 — 2027/28)	Years 11-30 (2028/29 — 2047/48)
Business lots required to meet demand (includes NPS margin)	44	106	125
Totals planned in rollout	56	120	109
Under/over supply?	+12	+14	-16

[23] *Units on existing lots* means existing consented vacant lots, obtained by a count of vacant lots with a minimum size threshold of 300 sq. m. *Units on new lots* means lots created by subdivision.

6.3.1 Zoning Status of DAs for Richmond Rollout (Business)

As policy PA1 in the NPS-UDC states, capacity within years 1-10 is required to be zoned; and within years 11-30 is to be identified in relevant plans and strategies. The plan in appendix 3 and accompanying table explains the current zoning status of the DAs proposed for business rollout. The DAs required for business rollout are appropriately zoned. Some DAs are zoned deferred business for services and these deferrals will be uplifted as developer agreements are in place. The final decision on the proposed Waimea community dam (November 2018) is significant in this respect.

6 Business Capacity, Feasibility and Sufficiency

7.1 Capacity, Feasibility and Sufficiency

The P.E. report (2016) found that under the zoned distribution growth scenario, Richmond West alone had enough vacant land capacity to comfortably accommodate the entire Nelson-Tasman market's future (to 2038) business land requirements providing 120 ha. This conclusion was further reinforced by the fact that vacant industrial and commercial buildings, increasing development and land use efficiency by redeveloping underutilised brownfield sites across the regions, had not been considered in the analysis.

As a result of The Meadows SHA (also comprising The Fields and Arvida sites) being gazetted on land zoned deferred for business use, a total of 50 ha of such land was lost to residential use (DAs 6 and 70). 32ha of this is zoned deferred Mixed Business and 18ha zoned deferred Light Industrial. The SHAs' gazettal led to a further review of business land capacity for Richmond. DA6 at Richmond West, assumed in the original rollout of business land, was no longer available. Therefore DA56 at Richmond West was brought forward earlier, for business land rollout.

The abundant supply of business land at Richmond West made this possible. Business demand beyond 2038 is not expected to be significant, based on the assumption that there is very little population growth projected beyond then. (Medium projections for 2038-2043 are for zero population increase in Tasman and 120 per year for Nelson).

However, the impact on the strategic business location due to fragmentation and lost economic opportunity because of less business clustering is harder to monitor. In addition, the potential for reverse sensitivity effects of such a large amount of residential land in a business destination will need to be worked through in resource consent applications.

Section 5.1 above explains how round 1 of the GDSM review assesses cumulative effect of the zoning and objectives and policies where they exist for each DA in Richmond. This includes business DAs. Where not yet zoned for development, the planning and infrastructure opportunities and constraints are considered and how they may affect the feasibility for future development. This analysis will be built upon with a visual inspection of all business sites in November 2018.

A survey of businesses in Tasman has not yet been undertaken. The Nelson Regional Development Agency, led by Wakatū Incorporation, is currently preparing a regional growth strategy, Te Tau Ihu 2077 and proposes to survey businesses as part of that project. Potentially questions could be asked in that survey concerning businesses' satisfaction with current premises and infrastructure, reasons for locating at current site, operational needs, relocation plans and future space requirements. This will be undertaken in the future to inform future capacity assessments.

7.2 Capacity supported by infrastructure

The major new infrastructure projects are:

- Low level trunk main from Richmond water treatment plant to low level reservoir
- Low level reservoir (Richmond South) tanks to provide storage for low level areas of Richmond West and South (these projects feature early in the LTP)
- Borck Creek stormwater – ongoing upgrading of a new stormwater network
- Richmond water treatment plant capacity increase
- Headingly Lane pump station and rising main capacity upgrades – needed to assist with capacity arising from growth
- Lower Queen Street/Berryfield Drive intersection upgrade
- NRSBU upgrades (as for residential)
- Proposed Waimea Community dam

Existing services enable DA5 to be made available. DAs 10 and 56 represent the bulk of the rollout of business land. These are dependent on the low-level trunk main from Richmond water treatment plant to the proposed low-level reservoir. The Council decision to uplift the deferred status of these DAs is also likely to be dependent on a decision on an augmented water supply, such as the proposed Waimea community dam.

For water supply to Richmond for business development, the GDSM assumed that the Waimea community dam would proceed. Analysis in appendix 5 highlights the significance of this infrastructure requirement for Richmond's continued supply of business land. Residential land rollout is not affected in the first ten years, in fact a greater oversupply exists largely due to the masterplans for the Richmond SHAs proposing a higher density of development than envisaged in the GDSM review.

Business land rollout is more sensitive in a no-dam scenario. Should the Waimea community dam not proceed, there is an estimated shortfall of up to 79 lots for business development in Richmond over years 1 – 10 (or until an alternative water supply is secured). Therefore a no dam scenario would impact on modelled business land availability and growth in Richmond and potentially Nelson. To address this, the GDSM would need to be quickly revisited, to ensure that as required under the NPS-UDC we continue to provide capacity to meet growth demands.

Assuming the proposed Waimea community dam proceeds: in accordance with policy PA1 of the NPS-UDC, land required in years 1-3 is already serviced. Borck Creek is an ongoing stormwater project staged to increase capacity. Land required in years 4-10 is either serviced or the infrastructure project is in our LTP 2018-2028. Land required in years 11-30 depends on infrastructure either already in the LTP or in the Infrastructure strategy. See LTP web links http://old.tasman.govt.nz/policy/plans/activity-management-plans/ and http://tdc.maps.arcgis.com/apps/MapSeries/index.html?appid=b784191f86a544bdbce1cf4a1d01463a for details of the projects. The infrastructure strategy can be found in volume 2 of LTP- http://old.tasman.govt.nz/policy/plans/long-term-plans/long-term-plan-2018-2028/.

7 Housing and Business Interactions

The GDSM classifies a DA as either residential or business, but not both. This ensures there is no double counting of development areas for each type of use, leading to over or under estimating of capacity. The TRMP does not comprise zones that allow multiple types of uses e.g. mixed use. They are either residential or business zones.

In Richmond, DA3, the town centre is the only place that has very small amounts of residential use above commercial uses (flats above shops), but this DA is counted only as a business DA in the GDSM and therefore has not been double counted for capacity.

9 Overall Conclusions

9.1 General Conclusions on the Capacity Assessment

The 2016 GDSM saw a significant deviation from past long term planning by using high growth population projections for residential demand in Richmond over 2018-2028, rather than medium. This was on the basis that development had occurred at a faster rate than predicted in the 2014 GDSM review and serviced land was being used up more quickly. Nelson Main Urban Area is currently classified as medium growth in the NPS-UDC. Until the next Census estimates and population projections are released (March 2019 and Sept 2019 respectively), little more will be known about population growth in the area. However resource consent applications and consents continue to indicate high rates of growth.

Between 2013-16, most new titles and residential building consents were granted in Richmond South and Richmond East. Most business building consents were granted in Richmond West. Residential building consents have been rising in recent years reaching 400 district wide and exceeding 170 for Richmond in the last financial year. This upward trend of building consents also formed part of the decision to adopt high growth population rates for years 1-10.

Key future trends include 30% of future demand for housing in Richmond will be for units or townhouses or units in retirement villages and 40% will be for small houses (less than 150 sq. m.); and a growing older population. 65 years plus is the only age bracket forecast to increase between 2018-2043 and will form more than one third of the population by then.

The capacity assessment proposes oversupplying residential demand in years 1-10 (2018-2028). This partly resulted following gazettal of five SHAs in Richmond, which occurred after the GDSM review. There are two clear fronts of residential growth in Richmond – Richmond West and Richmond South. Both are dependent on new water infrastructure and improved stormwater network capacity. Richmond West is also the area proposed for business growth and as a result of the SHAs, is now critically reliant on a final decision on augmented water supply to ensure uplifting of deferred business zoned land in the short term. In the absence of a decision, the GDSM will be revisited early 2019. Appendix 5 provides further information on a potential solution.

Assuming the Waimea community dam proceeds, the identified capacity complies with the NPS-UDC in that it is appropriately zoned and serviced in the short term or in the longer term identified in the LTP and Infrastructure Strategy. For residential land, where it is still zoned deferred, it can be uplifted shortly due to the existence of developer agreements. Some business deferrals still need uplifting to provide capacity in the short term and this may be able to occur once a decision on the dam is known (end 2018).

By the end of 2018, we will know whether the Waimea community dam will proceed or not. If it proceeds this will significantly reduce the risk arising from the removal of further deferred zoned land for development in Richmond – this is particularly pertinent for business. To uplift deferred zoned land now with such uncertainty over the future, increases the risk and severity of water rationing in the future. If the Waimea community dam does not proceed we will need an alternative water augmentation solution and this will take 7 years to plan, consent and build.

Representative sites for the greenfield residential capacity is commercial feasible at the proposed densities, according to MBIE's model, although the density proposed is not always the profit maximizing density. Representative sites for the brownfield infill residential capacity is apparently not commercially feasible and yet some of these sites have been built and sold successfully. A growing number of intensive residential developments have occurred recently in Richmond and a recent plan change hopes to enable many more. That said the levels of capacity identified for brownfield intensive infill development is small at approximately eight lots per year and considered realistic.

There exist a number of constraints that are beyond our control, in ensuring serviced zoned land becomes residential and business floorspace, meeting identified demand. These include:

- land ownership concentration - 65% of undeveloped residentially zoned land is owned by 10 people or companies in the Nelson Main Urban Area. This can lead to land banking, as developers release capacity on to the market at a price that maximises their return, hence there are incentives to produce new housing slowly
- capacity of skilled labour in the construction industry and the methods of housing construction
- construction costs rising several times rate of general inflation according to "A Stocktake of New Zealand's housing"[24]
- no legal requirement exists in New Zealand to provide genuine affordable housing – a problem Nelson and Tasman have faced for some time as the third least affordable region nationally[25]
- developers' and house builders' preference to provide larger homes when in places like Richmond the majority of demand is for small homes. Rising land values in some cases favour larger lot sizes and properties in order to be commercially feasible.
- policies of banks on lending finance to developers
- developer covenants on subdivisions that usually have the effect of adding to the cost of building, to a varying degree dependent on the extent of the covenants
- the recent gazettal of a number of SHAs in Richmond West on inappropriately zoned land has anecdotally had the effect of encouraging nearby landowners of business zoned land to withhold it from the market in anticipation of it being turned into further housing land as SHAs.

[24] "A Stocktake of New Zealand's Housing" February 2018 by Alan Johnson, Philippa Howden-Chapman and Shamubeel Eaqub page 24

[25] The Massey Home Affordability Index

10 Future

The next review of the GDSM will commence in July 2019 in order to inform the 2021-2031 LTP. Before that review takes place it is expected that a Future Development Strategy for Nelson and Tasman will be prepared. It should be complete by July 2019 and will therefore inform, at a high strategic level the next LTP and GDSM review. This high-level strategic policy level will help guide broad locations for future development.

In continuing to plan jointly with NCC, efforts will be made in future reviews to align our growth models. Our growth model will continue to be improved, including incorporating some detailed requirements of the NPS-UDC. Quarterly monitoring reports (under NPS-UDC) are prepared regularly with NCC and these will continue to inform growth planning.

It is acknowledged that some ground truthing of business requirements and capacity of existing business land in Richmond is needed. Planned surveys and inspections in the near future hope to address these knowledge gaps and will inform future growth reviews in terms of demand and achieve greater efficiencies in terms of supply.

By the time this assessment is submitted to Government, a final decision on the proposed Waimea Community dam will be known. If it proceeds this will significantly reduce the risk arising from the removal of further deferred zoned land for development in Richmond – this is particularly pertinent for business. To uplift deferred zoned land now with such uncertainty over the future, increases the risk and severity of water rationing in the future. If the Waimea community dam does not proceed we will need an alternative water augmentation solution and this will take 7 years to plan, consent and build. Appendix 5 offers some initial responses to ensuring that business land in Richmond is still enabled to meet demand, but the GDSM would need revisiting early. Initial responses may include:

- Bringing forward the rollout of other DAs that are serviceable that are currently assumed to be developed in years 11-30
- Including Lower Queen Street business park (750 Lower Queen Street) within the Richmond settlement area boundary – a new integrated industrial development close to central Richmond, consented since 2014 for approximately 45 lots
- Instead of also enabling supply for the NPS-UDC extra margin of 15% in years 11-30 all in years 1-10, only provide for the extra margin required (20%) in years 1-10 in this period (16 lots less)
- And/or look to providing for Richmond's business growth elsewhere in the District, outside of the Waimea catchment, as we are permitted under the NPS-UDC (policies PC1-PC4) .

Appendices