Nelson City Council
te kaunihera o whakatū

Summary of Nelson City Land Demand and Capacity

June 2017

NATIONAL POLICY STATEMENT ON URBAN DEVELOPMENT CAPACITY (NPS-UDC)

The National Policy Statement on Urban Development Capacity requires councils to ensure that at any one time there is sufficient development capacity and that enough land should be provided to meet housing and business demand. This should be assessed at least every three years and should also assess demand and capacity for different types of housing and different types of business land.

Short term capacity, to meet demand expected within the next three years, must be feasible, zoned and serviced with development infrastructure.

Medium term capacity, to meet demand expected between three and ten years, must be feasible, zoned and either serviced with development infrastructure, or its development infrastructure is identified in the Long Term Plan.

Long term capacity, to meet demand expected between ten and thirty years, must be feasible, identified in relevant plans and strategies (but not necessarily zoned), and the development infrastructure to support it must be identified in the Infrastructure Strategy.

Feasible means that the development is commercially viable, taking into account the current likely costs, revenue and yield of developing.

Development infrastructure means network infrastructure for water supply, wastewater, stormwater and land transport.

To factor in the proportion of feasible development capacity that may not be developed, councils with a Medium- or High-Growth Urban Area within their boundaries shall also provide an additional margin of feasible development capacity over and above projected demand of at least 20% in the short and medium term and 15% in the long term. Nelson City includes the Nelson Urban Area which is defined as Medium-Growth.

SUMMARY OF NELSON'S RESIDENTIAL CAPACITY

- **Sufficient short-term capacity for housing demand - confirmed**
- **Medium-term capacity for housing demand - likely to be confirmed as sufficient by further feasibility assessments but will depend on 2018 LTP decisions to ensure capacity is serviced**
- **Long-term capacity for housing demand - zoned capacity is confirmed, serviced capacity will depend on 2018 Infrastructure Strategy, but the feasibility of that capacity needs to be confirmed and may not be sufficient**

Nelson has sufficient development capacity to meet short-term demand (next three years) for housing.

Based on current NRMP zoning and proposed Long Term Plan infrastructure projects, Nelson will have sufficient development capacity to meet medium-term demand for housing land (next ten years), as long as 63% of that capacity (2,870 dwellings) is commercially feasible. Preliminary assessments suggests feasible development capacity for 2,300 dwellings and further assessment of greenfield growth areas is underway.

However, Council has the opportunity to review zoning as part of the Nelson Plan, and also has the opportunity to review the timing and location of infrastructure projects in the 2018 Long Term Plan. Council may choose to prioritise growth in areas that are currently not zoned or serviced, based on other factors such as yield/cost ratios for infrastructure investment, commercial feasibility, developer intentions, dwelling types, strategic outcomes, and coordination with TDC planning.

Nelson will have sufficient long-term capacity for housing only if all currently zoned areas have infrastructure servicing identified in the LTP or Infrastructure Strategy, and only if all that capacity is confirmed as being commercially feasible. Feasibility assessments of future growth areas is underway but, based on Auckland Council's experience, it is unlikely that all plan-enabled land will be feasible. This may mean Council needs to consider how the Nelson Plan can enable more residential capacity, either through zoning new land or allowing higher density.

Residential Demand:

- **2,870 residential units by 2028 and a further 2,810 by 2048, including additional margin**
- **5,680 in total by 2048, including additional margin**

Based on Statistics NZ Medium Series Population Projections (February 2017), there will be demand for an additional 2,390 residential units in Nelson between July 2017 and July 2028 (11 years). With the additional 20% above the projected demand, capacity for 2,870 residential units is required by 2028. This capacity needs to be feasible, zoned and either serviced with development infrastructure, or development infrastructure identified in the Long Term Plan.

Between 2028 and 2048, there is projected demand for an additional 2,440 residential units. Under the NPS-UDC, an additional 15% is required, meaning capacity for 2,810 residential units must be provided. This capacity must be feasible, identified in relevant plans and strategies, and the development infrastructure must be identified in the Infrastructure Strategy but it does not necessarily need to be zoned.

Note: The demand projections are subject to change as new information and guidance is received. MBIE guidance on the NPS-UDC recommend including demand for visitor accommodation (holiday houses) which has not yet been assessed. Council may also choose to augment the Statistics NZ projections but MBIE guidance advises explaining the rationale of that assessment in a way that can be traced and audited.

Note: these demand projections are based on the urban area units within Nelson City only and exclude projections for the rural Whangamoa area unit (see the Rural section) and for urban area units within Tasman District.

Analysis of housing preferences and demographic changes suggest Nelson needs more two-bedroom dwellings to meet projected growth in one and two person households. There is also a need for affordable housing to retain and attract working-age residents and to meet employment demand as the workforce ages.

Residential Capacity:

- **Feasible, serviced, and zoned capacity for at least 2,300 residential units**
- **Zoned capacity for a further 2,300 residential units which will be serviced in the current Long Term Plan but their feasibility and yield are still to be confirmed**
- **Zoned capacity for a further 1,100 residential units but their feasibility and servicing requirements are still to be assessed**
- **5,700 in total zoned capacity, including inner city residential**
- **Potential extra capacity in land currently zoned as rural but the yield and feasibility of those areas needs to be assessed**

Nelson currently has capacity for 2,300 residential units on land which is feasible, zoned, and serviced (although land development and internal connections are still required).

This estimate consists of:

- 392 vacant residential sections
- 425 backyard infill potential (current trend is 20 per year)
- 1,300 units on land consented or proposed for subdivision or redevelopment (incl. Special Housing Areas)
- 210 brownfield redevelopment potential (based on current trend of 7 units per year)

Nelson has capacity for approximately another 3,400 residential units on land which is zoned but is not yet confirmed as being feasible and/or serviced. This includes potential capacity for a further 394 residential units in the inner city centre and fringe (106 units are already consented or proposed).

The servicing status of different growth areas may change as part of Long Term Plan decisions as different areas are prioritised for infrastructure projects. Long Term Plan decisions may consider factors such as yield/cost ratios, developer intentions, dwelling types, strategic outcomes, and coordination with TDC planning.

In addition, there are approximately 360 residential dwellings with 4 or more bedrooms but only one usual resident and 1,530 residential dwellings with 4 or more bedrooms and two usual residents. Some of these 1,890 dwellings could have potential for creating a second unit, if a second kitchen was permitted (as proposed in the Residential Zone paper). This capacity has not been included in current capacity estimates and current trends have not been assessed.

SUMMARY OF NELSON’S BUSINESS CAPACITY

- **Sufficient short, medium and long term capacity for retail demand – zoned and serviced capacity is confirmed and feasibility likely to be confirmed by stakeholder consultation**
- **Sufficient short, medium and long term capacity for commercial office demand – zoned and serviced capacity is confirmed and feasibility likely to be confirmed by stakeholder consultation**
- **Short, medium and long term capacity for industrial demand – zoned and serviced capacity is confirmed but feasibility assessment is likely to indicate that Richmond West’s capacity is more feasible and both Councils will need to be ensure sufficient serviced capacity in Richmond West to meet to projected demand**

Demand for business land has been estimated by Property Economics using a Business Land Demand Forecasting Model. The model incorporates national and regional economic and demographic trends to project employment growth by industry and land requirements by activity (industrial, office, retail and commercial services). The model distributes the projected growth based on zoned capacity in settlements across Nelson and Tasman. The two regions operate and function as a single economic market with heavily connected economies and cross boundary business activity flows, and need to be considered as an integrated economic unit for long term planning purposes.

Property Economics concluded that “there is enough business land provision and that this provision is well located from a business location perspective. Council may want to ensure the provision is commercially viable to develop and identify any hindrances to development (i.e. infrastructure) that may require coordination with development opportunity.”

The Property Economics report also noted that the land requirements derived in the model do not automatically trigger the need for rezoning business land because large amounts of existing business land provision in Nelson and Tasman is vacant or underutilised. Significant capacity also already exists in vacant industrial and commercial buildings, and through increasing development and land use efficiency by redeveloping underutilised brownfield sites across the regions.

The Property Economics Model forecasts demand to 2038 but concludes that these projections are likely to remain valid out to 2048 because of declining rates of population growth, which is driven by the ageing population.

Note: The Business Land Demand Forecasting Model currently uses the Statistics NZ Medium Series Population Projections (February 2017). Council may choose to augment the Statistics NZ projections but MBIE guidance advises explaining the rationale of that assessment in a way that can be traced and audited.

Industrial Demand:

- **11.4 hectares by 2028 and a further 2.6 hectares by 2038, including additional margin (14 hectares in total)**

Based on Statistics NZ Medium Series Population Projections (February 2017), the Property Economics Business Land Demand Forecasting Model estimates that there will be demand for 12 hectares of industrial land in Nelson by 2038 (and 12 hectares in Richmond). Most of this demand is projected to occur in the short-term. Building consents for factories, industrial and storage buildings indicate an average growth rate of 2.5 hectares a year over the last ten years.

In the medium and long term, demand for industrial land is projected to stabilise, along with industrial employment numbers, and employment in primary sectors and manufacturing is projected to decrease.

As with residential demand, the NPS-UDC requires Nelson to have capacity for 20% above the projected demand for the next ten years, and 15% above demand projected for the following twenty years, meaning a total of 14 hectares is needed.

Under a high-growth scenario, Nelson is projected to have demand for 13 hectares of industrial land in the short-term and a total of 20 hectares over the next thirty years (with demand for 19 hectares in Richmond by 2048).

Industrial Capacity:

- **13 – 28 hectares in Nelson, plenty in Richmond deferred zone**

Nelson currently has 310 hectares of industrial zoned land:

- 157 hectares in Tahuna
- 71 hectares at the Port
- 67 hectares in Stoke (Nayland South and Wakatu Industrial Estate)
- 15 hectares in Vanguard/St Vincent, adjacent to Inner City -Fringe

A 2015/16 study of Nelson’s industrial capacity concluded there was 7 hectares of vacant industrial zone land, 1.8 hectares in land with vacant buildings, and approximately 15 hectares of underutilised land which has potential for development (most of the latter is located in Tahuna). There was a further 6 hectares with development planned or underway and most of this land is still vacant.

Further work is needed to understand the commercial viability of Nelson’s industrial capacity.

Richmond has sufficient capacity for both Richmond and Nelson’s industrial growth, with a large area (approx. 90 hectares) in Richmond West zoned as deferred light industrial. The NPS-UDC requires NCC and TDC to cooperate and agree on the provision of sufficient, feasible development capacity.

Commercial Office Demand:

- **8.6 hectares by 2028 and a further 3.2 hectares by 2038, including additional margin (11.8 hectares in total)**

Based on Statistics NZ Medium Series Population Projections (February 2017), the Property Economics Business Land Demand Forecasting Model estimates that there will be demand for 10 hectares of land for ‘at grade’ commercial office space by 2038. As the majority (7 hectares) is projected to be in Central Nelson, development is likely to be multi-storey rather than ‘at grade’.

The NPS-UDC requires Nelson to have capacity for 20% above the projected demand for the next ten years, and 15% above demand projected for the following twenty years, meaning a total of 11.8 hectares is needed.

Commercial Office Capacity:

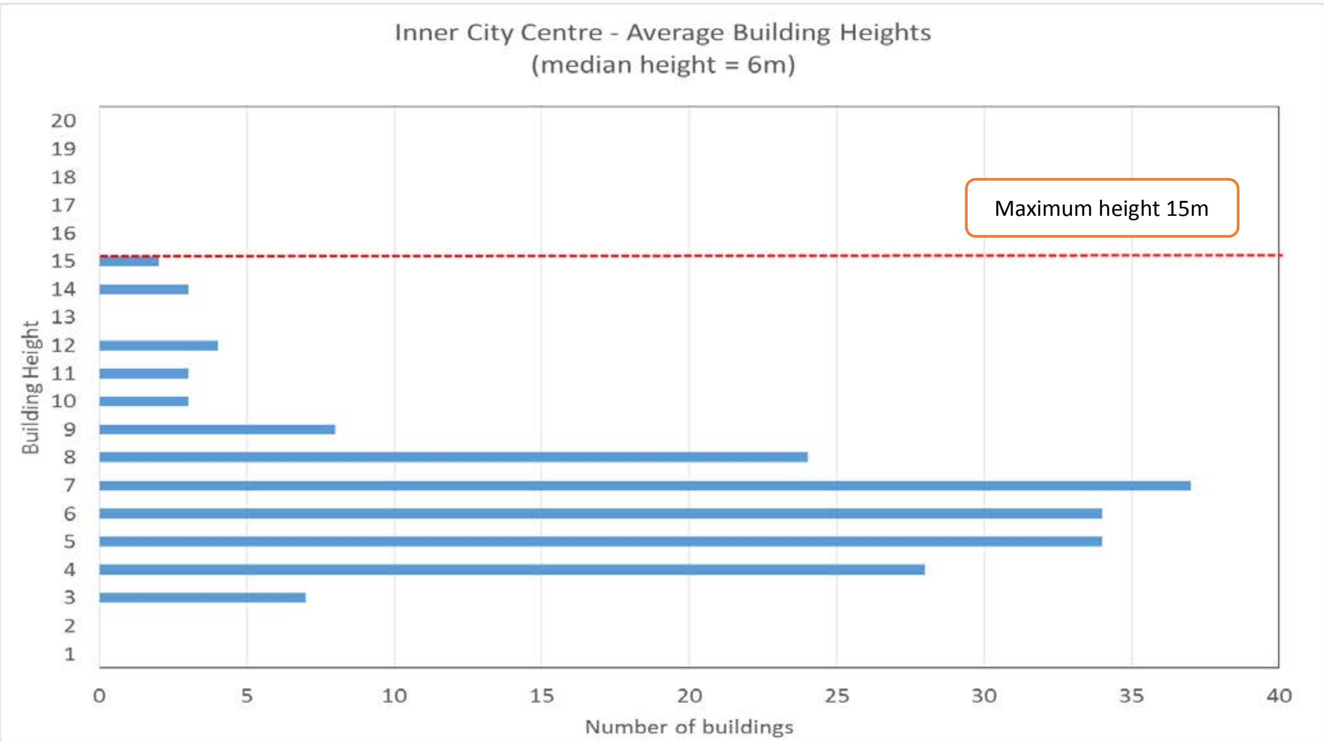
- **Sufficient vertical capacity anticipated but feasibility and servicing requirements are still to be assessed**

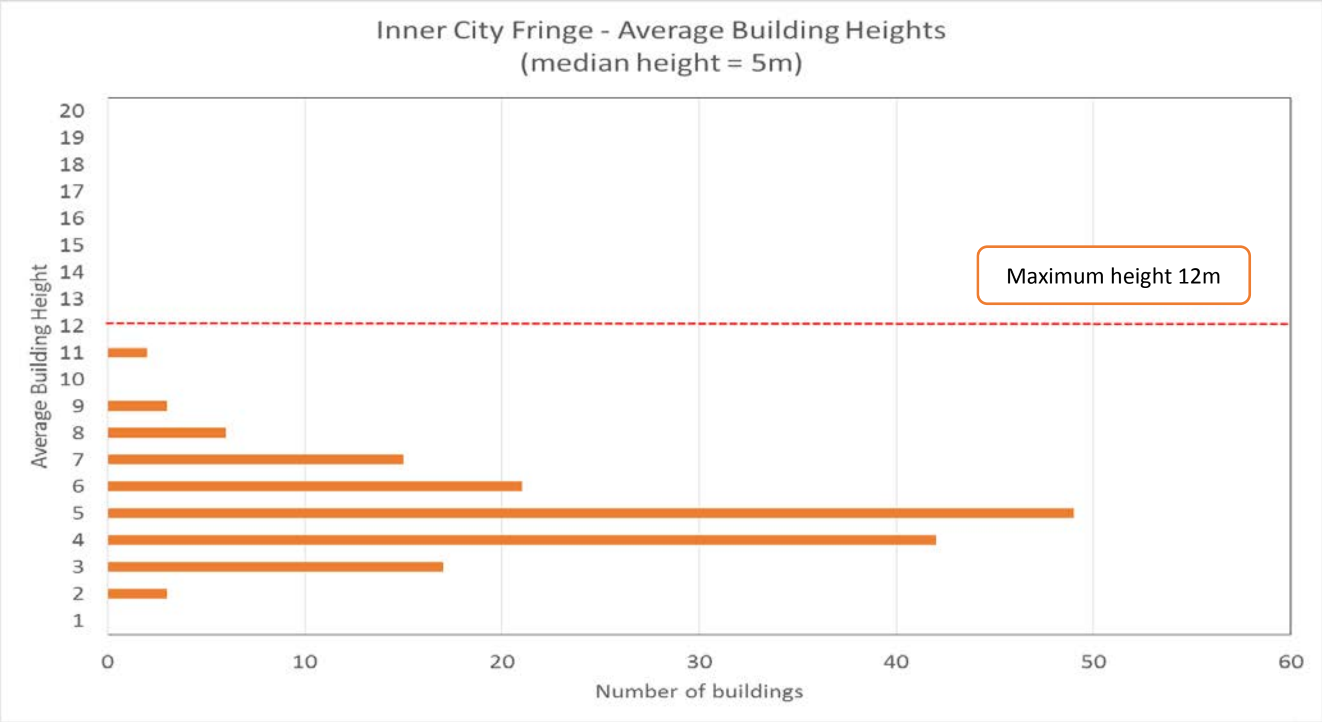
Nelson currently has 80 hectares of land in the inner city and suburban commercial zones which includes retail, commercial and office activity.

There is currently a 7% vacancy rate in Nelson’s commercial office space.

Based on the current average heights of buildings in the inner city centre and fringe and current maximum height rules, there is sufficient vertical capacity in these zones for future office space in Nelson. Half the buildings in these zones have an average height below 6 metres, with current maximum heights allowing 15 metres in inner city centre and 12 metres in inner city fringe.

Further work is needed to understand the commercial viability and infrastructure requirements of Nelson’s commercial office capacity.





Retail and Commercial Services Demand:

- **8.6 hectares by 2028 and a further 7.6 hectares by 2038, including additional margin (16.2 hectares in total)**

Based on Statistics NZ Medium Series Population Projections (February 2017), the Property Economics Business Land Demand Forecasting Model estimates there will be demand for an additional 7 hectares of land in Nelson for retail and commercial services by 2028 and a further 7 hectares by 2038.

The NPS-UDC requires Nelson to have capacity for 20% above the projected demand for the next ten years, and 15% above demand projected for the following twenty years, meaning a total of 16.2 hectares is needed.

Retail and Commercial Services Capacity: approximately 21 hectares

Nelson currently has 80 hectares of land in the inner city and suburban commercial zones which includes retail, commercial and office activity.

Approximately 14 hectares has potential for at-grade development although this includes land currently used for private car parking:

- There is currently 2.6 hectares of vacant properties in the inner city centre and fringe (excluding NCC carparks) and approximately another 3 hectares of vacant land larger than 500m2 on properties with existing building(s). Most of this land is used for private car parking. These measures exclude large carparks (NCC, supermarkets, The Warehouse, Rutherford Hotel).

- In the suburban commercial zone, there is 4.9 hectares of vacant properties, including 1.2 hectares in Marsden Valley and 1.9 hectares in Ngwahatu Valley, and approximately 3.5 hectares of vacant land larger than 500m2 on properties with existing building(s) (excluding large carparks, some motels and service stations, and McCashins brewery).

There is currently a 14% vacancy rate in CBD retail space (12,400m2 GFA, equivalent to approximately 2.4 hectares).

In addition, there is capacity for Large Format Retail on 5 hectares of industrial land in Quarantine Rd, Tahuna (this land was not included in industrial land capacity estimates).

RURAL

Rural Demand:

- **110 dwellings by 2048 (129 with additional margin)**

Based on Statistics NZ Medium Series Population Projections (February 2017), there will be demand for an additional 50 rural dwellings in the rural Whangamoa area unit between July 2017 and July 2028 (11 years), and then a further 60 rural dwellings by 2048.

Between 2001 and 2013, there were an additional 110 dwellings in the Whangamoa area unit (from 270 to 380 dwellings) and an additional 60 in other parts of the rural zone in Nelson (mostly Todds Valley). The average rate of development since 2006 has been 7 dwellings a year in the rural zone.

Rural Capacity:

- **Sufficient capacity anticipated**

Nelson has the following areas of land in three rural zone categories:

Rural: 21,741 hectares

Rural – Low Density: 1,684 hectares

Rural – High Density: 258 hectares

The development capacity of many of those properties is constrained by the following factors:

- Slope greater than 25 degrees
- Land used for exotic forestry
- Significant Natural Areas
- Outstanding Natural Character or Landscapes

If properties with those constraints are excluded, Nelson has the following amounts of land in the three rural zone categories:

Rural: 4,005 hectares

Rural – Low Density: 1,006 hectares

Rural – High Density: 187 hectares