

National Policy Statement on Urban Development

Nelson and Tasman Tier 2 Urban Environment: Housing and Business Assessment

July 2021

Foreword

This combined Housing and Business Assessment for the Nelson Tasman Tier 2 Urban Environment forms part of a series of reports:

- Housing Business Assessment for Tasman (July 2021) (see [Capacity assessments | Tasman District Council](#))
- Housing Business Assessment for Nelson (July 2021) (see <http://www.nelson.govt.nz/building-and-property/city-development/urban-development-capacity>)
- Combined Housing Business Assessment for Nelson Tasman Tier 2 Urban Environment

Together these reports provide the analysis to assess the sufficiency of Nelson and Tasman's residential and business land capacity, both individually and for the Tier 2 Urban Environment, to meet future needs over 30 years 2021-2051.

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1. Executive Summary

This is a summary report that combines the results from the Nelson City Council and Tasman District Council's Housing and Business Assessments for their respective parts of the Tier 2 Urban Environment. Table 1 summarises the residential demand-capacity relationship for the tier 2 Urban Environment for the next 30 years.

Table 1: Nelson Tasman Urban Environment housing demand and capacity

Period	Demand and capacity for housing		
	Demand	Capacity	Difference
Short term (1-3 years)	1,430	3,250	+1,820
Medium term (4-11 years)	4,656	3,882	-897
Long term (11-30 years)	11,093	9,311	-1,659
Total	17,179	16,443	-736

Table 1 shows that there is an insufficiency of 736 dwellings over the 30 year period (2021-2051).

Table 2 below summarises the business land sufficiency of the tier 2 Urban Environment for the next 30 years, i.e. the business land capacity minus demand:

Table 2: Nelson Tasman Urban Environment business land sufficiency

Business Land type	Land in hectares			
	Short term 2021-2024	Medium term 2025-2031	Long term 2031-2051	Total
Commercial (and retail)	1.3	2.6	22.2	26.1
Industrial (includes some agriculture activity)	12	11.8	-3.3	20.5
Total	13.3	14.4	18.9	46.6

In summary there is:

- a combined insufficiency of housing capacity in the whole Urban Environment at approximately year 2039/40
- a sufficiency of business land capacity for the next 30 years in the whole Urban Environment
- Tasman has sufficient housing capacity for its part of the Urban Environment and for the remainder of the District for the 30 years
- Nelson has sufficient housing capacity for its part of the Urban Environment until year 18.

2. Introduction

2.1 Purpose

The purpose of this report is to inform the two Councils on whether they have sufficient housing and business land capacity to meet anticipated population demands for the Nelson-Tasman Urban Environment. This Housing and Business Assessment (HBA) provides an assessment of the combined Tier 2 Nelson Tasman Urban Environment. A separate report provides an assessment of the Tasman District Authority's development capacity and a further report provides an assessment of Nelson City Authority's development capacity. All three HBAs should be read in conjunction with each other.

Nelson-Tasman is identified as a Tier 2 Urban Environment in the NPS-UD. Policy 2 of the NPS-UD requires Tier 2 local authorities, at all times to provide at least sufficient development capacity to meet expected demand for housing and for business land over the short, medium and long term.

The overall objective is to have a robustly developed, comprehensive and frequently updated evidence base to inform planning decisions in urban environments. In short, the Housing and Business Assessment (HBA) estimates the demand for dwellings and business land and the availability of development capacity to meet that demand over 30 years.

This assessment determines whether there is sufficient capacity enabled by the Nelson Resource Management Plan, the Tasman Resource Management Plan, the Long Term Plans and 30 Year Infrastructure Strategies (servicing) to meet projected demand. Included in the analysis of sufficiency is the competitiveness margin, as required by the NPS UD. This amounts to an additional margin of feasible development capacity in the Urban Environment which is 20% above the projected demand for the next ten years, and 15% above the demand projected for the next eleven to thirty years.

This report informs the "housing bottom lines" required to be inserted into both Councils' regional policy statements and district plans. These housing bottom lines for the short, medium and long terms need to be inserted into the regional policy statements and district plans as soon as practicable after this HBA is made publicly available. The housing bottom line for Tasman however only refers to the Urban Environment because the NPS UD only requires this obligation in relation to the Urban Environment. (The rest of Tasman District is the rural remainder.) The housing bottom lines are the amount of feasible, reasonably expected to be realised development capacity that must be enabled to meet demand, along with the competitiveness margin for the short, medium and long terms. Further information on the housing bottom lines can be found in the Councils' respective HBAs.

Finally, this report recommends next steps as to how the Councils could initiate a response to the findings of the capacity assessment. This includes a new Future Development Strategy (FDS) being prepared immediately after the completion of this HBA. Both Councils adopted a first FDS in July 2019, under the former National Policy Statement on Urban Development Capacity (NPS UDC).

2.2 The Tier 2 Urban Environment and its Geographic Areas

“Urban environment” is defined in the NPS UD as any area of land (regardless of size, and irrespective of local authority or statistical boundaries) that: (a) is, or is intended to be, predominantly urban in character; and (b) is, or is intended to be, part of a housing and labour market of at least 10,000 people.

The definition of urban environment includes non-contiguous areas of urban land – so long as they are part of the same housing and labour market that is greater than 10,000 people.

The Joint Nelson Tasman Committee resolved on 10th November 2020 that the Nelson Tasman Urban Environment comprises the following city and towns: Nelson, Richmond, Motueka, Mapua, Wakefield, Brightwater, Cable Bay and Hira, in recognition that these communities are part of the same labour and housing market and these areas are or are intended to be predominantly urban in character. Figure 1 shows the extent of the Nelson Tasman Urban Environment:

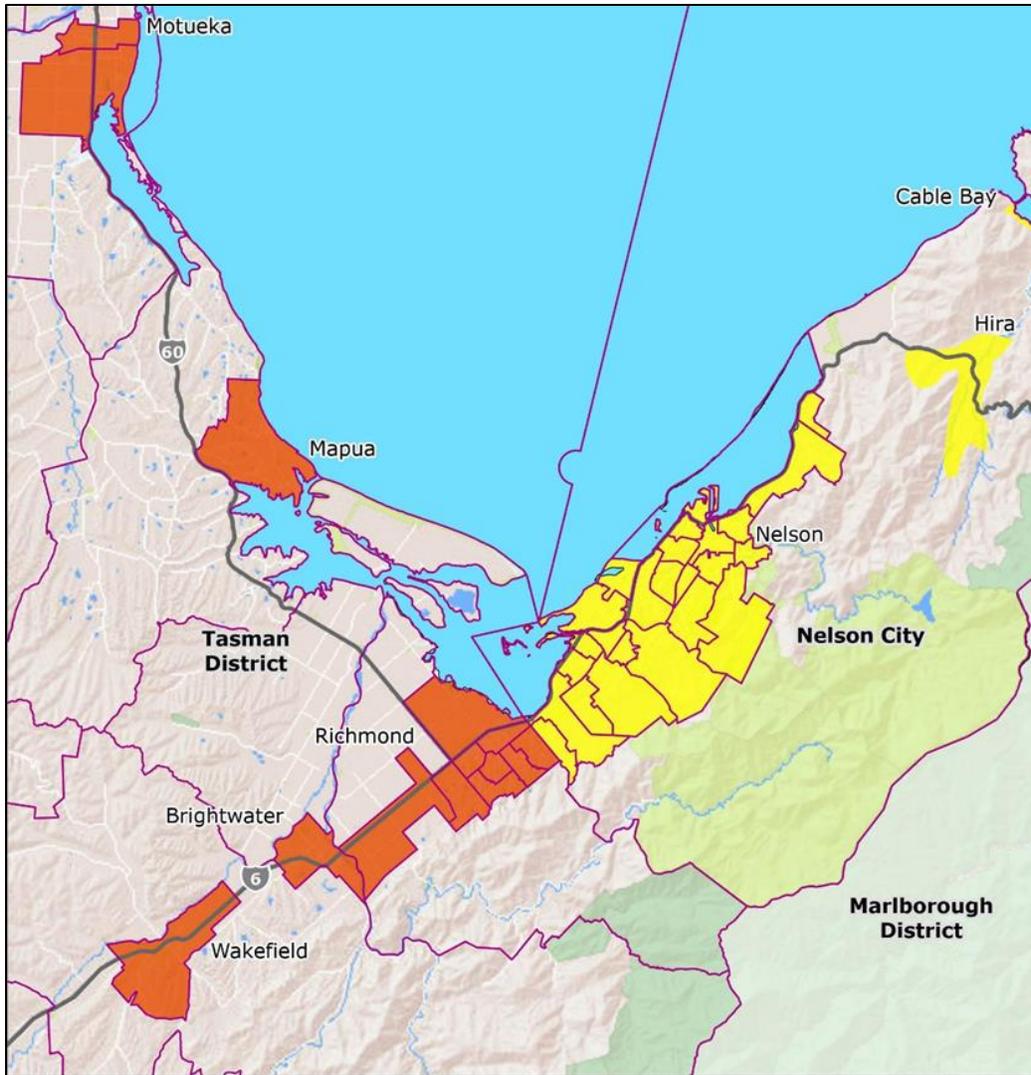


Figure 1: Map showing Tier 2 Nelson Tasman Urban Environment

Tasman District and Nelson City operate and function as a single economic market and business activity flows both ways across the Territorial Authority boundaries. The relative isolation of the Tasman and Nelson markets, reinforces this interconnectedness. Tasman and Nelson rely to varying degrees on each other to sustain their respective economies and generate significant economic benefits for each other. The two authorities have similar populations, the latest estimates are 54,600 residents in Nelson and 56,400 residents in all of Tasman. Internal migration links the two regions with around 1,100 per year relocating their place of residence from Nelson to Tasman and vice versa. Consequently, Tasman and Nelson also function as a single housing market.

From a transport point of view, the networks within both areas are dominated during peak times by residents of one area travelling to and from the other. For example, around 1,400 Nelson residents work and learn in Tasman and around 2,900 Tasman residents work and learn in Nelson. For these reasons, the Tier 2 Nelson Tasman Urban Environment covers a relatively large non-contiguous area.

3. The local housing and affordability context

The Government's measure of housing affordability (HAM Buy), shows that at December 2018, about 81% of first time buyer households in Tasman could not afford a typical 'first home' priced house, spending more than 30% of income on housing costs. Similarly, Nelson's share of first home buyer households spending more than 30% of their income on housing costs was 80%. On renting a dwelling, according to the Government's HAM Rent measure, as at Dec 2018, 38% of renting households are spending more than 30% of their income on rent in Tasman. In Nelson the same indicator is similarly 36% of households.

This is in part due to the lower than national average household incomes, which are 13% below the NZ average and have only caught up by 2% in the last 20 years. Nelson Tasman is second lowest in NZ. As at November 2020, the Massey University Home Affordability Index showed Tasman as the second least affordable region in the country with Nelson placed third, behind Auckland.

Each individual HBA provides an analysis of demand for different housing types and locations as well as for different households groups. This also includes results of a housing preferences survey 2021.

To help with affordability and competitiveness in markets, by providing more housing land capacity, the NPS-UD requires an additional margin (the competitiveness margin) be applied to development capacity. This is aimed at supporting choice and competitiveness in housing and business land markets.

The competitiveness margins for both housing and business land are:

- For the short term, 20%
- For the medium term, 20%
- For the long term, 15%

4. Planning Framework

This HBA determines whether there is sufficient capacity enabled by the Nelson Resource Management Plan, the Tasman Resource Management Plan, the Long Term Plans and 30 Year Infrastructure Strategies (servicing) to meet projected demand.

In this context, Tasman District Council is currently undertaking a review of its operative district and regional plan, the Tasman Resource Management Plan and the operative regional policy statement (see [Aorere ki uta Aorere ki tai - Tasman Environment Plan | Tasman District Council](#)). The review is part way through with notification of a proposed combined plan scheduled for December 2024.

Nelson City Council is also currently undertaking a review of its operative unitary (district and regional) plan, the Nelson Resource Management Plan (NRMP) and the operative regional policy statement. The development of the new Plan, the Whakamahere Whakatū Nelson Plan, has been informed by the analysis that has been undertaken as part of Nelson's HBA. The proposed Plan is expected to be notified mid 2023.

As a Tier 2 Urban Environment, Nelson City and Tasman District Councils must also prepare a new Future Development Strategy. Both Councils previously adopted a joint FDS in July 2019 under the NPS UDC. This HBA will be used to inform the new FDS which will commence in July 2021.

A further HBA for the Tier 2 Urban Environment is required in time to inform the 2024 Long Term Plans. Even though the NPS UD requires a HBA to cover the Urban Environment only, Tasman District Council prepares a HBA for its entire land area as well as the Urban Environment. Tasman is a large district containing over 17 towns. As at 2019, 55% of Tasman's population resides in the Urban Environment. This means a significant proportion of the District's population resides in the smaller towns and some of these towns have their own growth needs, some which can be considered acute.

Once an assessment of sufficiency of development capacity is made, implementation clause 3.7 of the NPS UD requires that if a local authority determines that there is insufficient development capacity over the short term, medium term or long term, it must:

- a) Immediately notify the Minister for the Environment; and
- b) If the insufficiency is wholly or partly as a result of RMA planning documents, change those documents to increase development capacity for housing or business land (as applicable), as soon as practicable and update any other relevant plan or strategy (including the FDS); and
- c) Consider other options for:
 - (i) increasing development capacity; and
 - (ii) otherwise enabling development

5. Growth Projections and Household Demand

5.1 Choosing a Projection Series

5.1.1 Tasman and Nelson Combined

Population growth in both Territorial Authorities has outpaced the national average and has been a significant contributor to recent economic growth in the region. Figure 2 below shows the combined population growth in the last 20 years for both Nelson City and Tasman District Council areas.

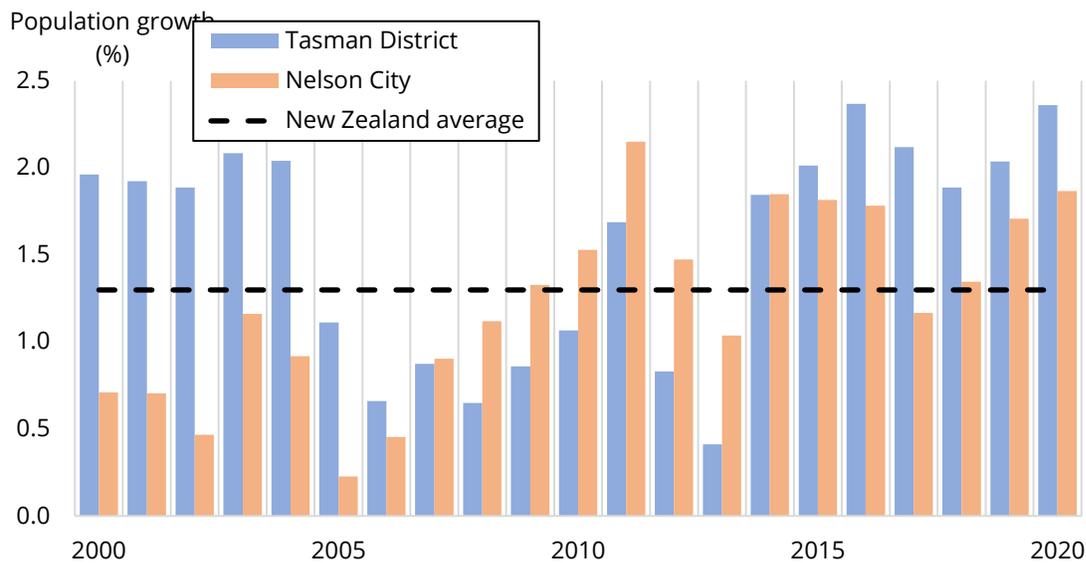


Figure 2: Population growth in Tasman and Nelson outpacing long term New Zealand average (source Sense Partners 'Assessing business land demand for Nelson and Tasman' 2021)

Statistics NZ had previously projected in the NPS UDC that the Nelson Urban Area's population was likely to grow by not more than 9.95% in the ten years between 2013 and 2023, meaning it was classified as 'medium growth', according to the NPS-UDC, falling just below the ten percent threshold defining 'high growth' urban areas. The Nelson Urban Area has exceeded this by some margin growing by over 14% in the seven years between 2013 and 2020. Individually, the Nelson part of the Urban Area grew by 10%, the Tasman part grew by 20%.

The population series for the Urban Environment is made up of two sets of individual projections. Selecting a population series is challenging given the uncertainties brought about by Covid19 and its impact on migration-immigration. The Councils have considered these effects relative to the context of their district/city and have adopted projections that reflect differences in international and internal migration trends. A range of population scenarios have been tested and more details on these can be found in each Council's HBA.

5.1.2 Tasman

Tasman District Council adopted medium scenario population projections for its Long Term Plan (LTP) and information on why this scenario was selected is provided in Annex A to this report.

Since then Stats NZ released the Territorial Authority population projections (2018 based) in March 2021. The Stats NZ high projection is very close to Council’s adopted population projections for the LTP, with the Council’s being slightly higher:

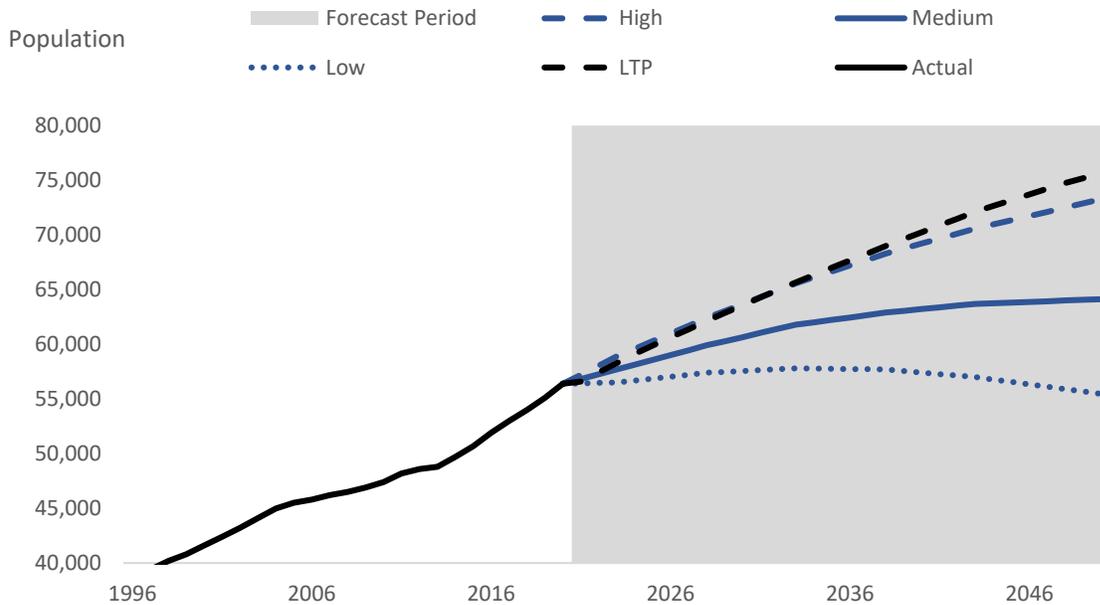


Figure 3: Tasman’s LTP population projections compared with Stats NZ Territorial Authority Population Projections (2018 based)

Stats NZ has underestimated population growth for Tasman District since at least 2013. The adopted LTP medium scenario population projections are considered robust as they reflect average growth between 2006 and 2018.

5.1.3 Nelson

Nelson City Council adjusted its population projections in response to Covid 19, adopting low scenario population projections to 2024 with the growth rate gradually increasing to sit between the medium and high growth series thereafter. When compared to Stats NZ’s population forecasts (2018 based), Nelson population projections are close to the Stats NZ high projection by 2050, but remain slightly below:

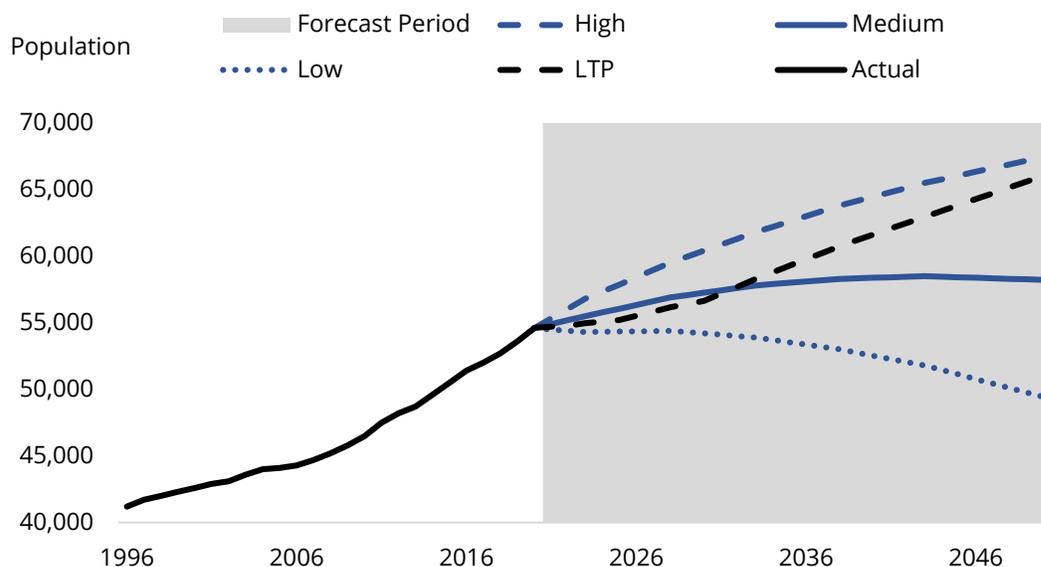


Figure 4: Nelson’s LTP population projections compared with Stats NZ Territorial Authority Population Projections (2018 based)

5.1.4 Household Demand

Based on the above population projections, both Councils have calculated household demand for the 30 year period for the Urban Environment, including the competitiveness margin. The projected housing demand is shown in fig 5 below for each of the Councils:

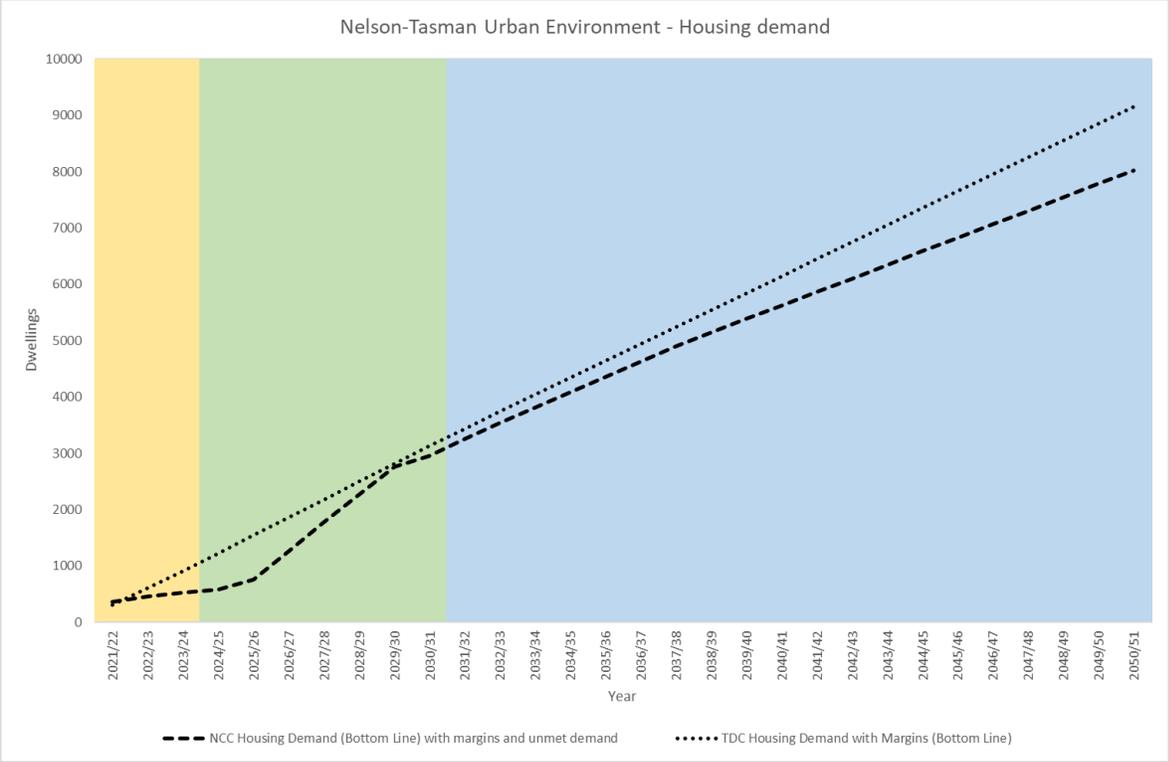


Figure 5: Household demand for Tier 2 Urban Environment for the short, medium and long term

In December 2020, MHUD revised its data for new dwelling consents compared to household growth, using latest Stats NZ population projections. For Tasman, unmet demand only amounts to approximately 260 dwellings in total for the last ten years, hence it has been excluded from the above household demand figures. Nelson has included unmet demand in its demand projections.

5.1.5 Housing Land Capacity

Error! Reference source not found.3 below, summarises the demand and capacity numbers for the Nelson-Tasman Urban Environment in tabular form for easy reference:

Table 3: Demand and Capacity Numbers for Nelson Tasman Urban Environment

Demand year	Cumulative NCC housing demand (Bottom line)	Cumulative TDC housing demand (Bottom line)	Cumulative Nelson-Tasman Urban Environment total housing demand (Bottom line)	Cumulative Nelson-Tasman Urban Environment total housing capacity
2021/22	358	303	661	2143
2022/23	456	607	1063	2702
2023/24	521	909	1430	3250
2024/25	586	1227	1813	3883
2025/26	760	1545	2305	4532
2026/27	1268	1863	3131	5176

2027/28	1786	2181	3967	5759
2028/29	2272	2499	4771	6273
2029/30	2768	2817	5585	6703
2030/31	2952	3134	6086	7132
2031/32	3247	3435	6682	7555
2032/33	3541	3736	7277	7978
2033/34	3814	4038	7852	8401
2034/35	4087	4339	8426	8824
2035/36	4359	4640	8999	9297
2036/37	4632	4942	9574	9770
2037/38	4905	5243	10148	10243
2038/39	5145	5544	10689	10716
2039/40	5385	5846	11231	11189
2040/41	5625	6147	11772	11662
2041/42	5865	6448	12313	12143
2042/43	6105	6749	12854	12624
2043/44	6345	7051	13396	13105
2044/45	6585	7352	13937	13587
2045/46	6825	7653	14478	14068
2046/47	7065	7953	15018	14549
2047/48	7305	8254	15559	15030
2048/49	7545	8554	16099	15511
2049/50	7785	8854	16639	15992
2050/51	8025	9154	17179	16443

Table 4: Demand and Capacity housing numbers by period for Nelson Tasman Urban Environment

Period	Demand and capacity for housing		
	Demand	Capacity	Difference
Short term (1-3 years)	1,430	3,250	+1,820
Medium term (4-11 years)	4,656	3,882	-897
Long term (11-30 years)	11,093	9,311	-1,659
Total	17,179	16,443	-736

Error! Reference source not found.6 below and tables 3 and 4 above show that the Urban Environment has adequate housing capacity over the first ten years (short and medium terms). However, there is a shortfall in the long term, expected to occur around 2039 for the Urban Environment, amounting to a deficit of approximately 736 dwellings by 2051.

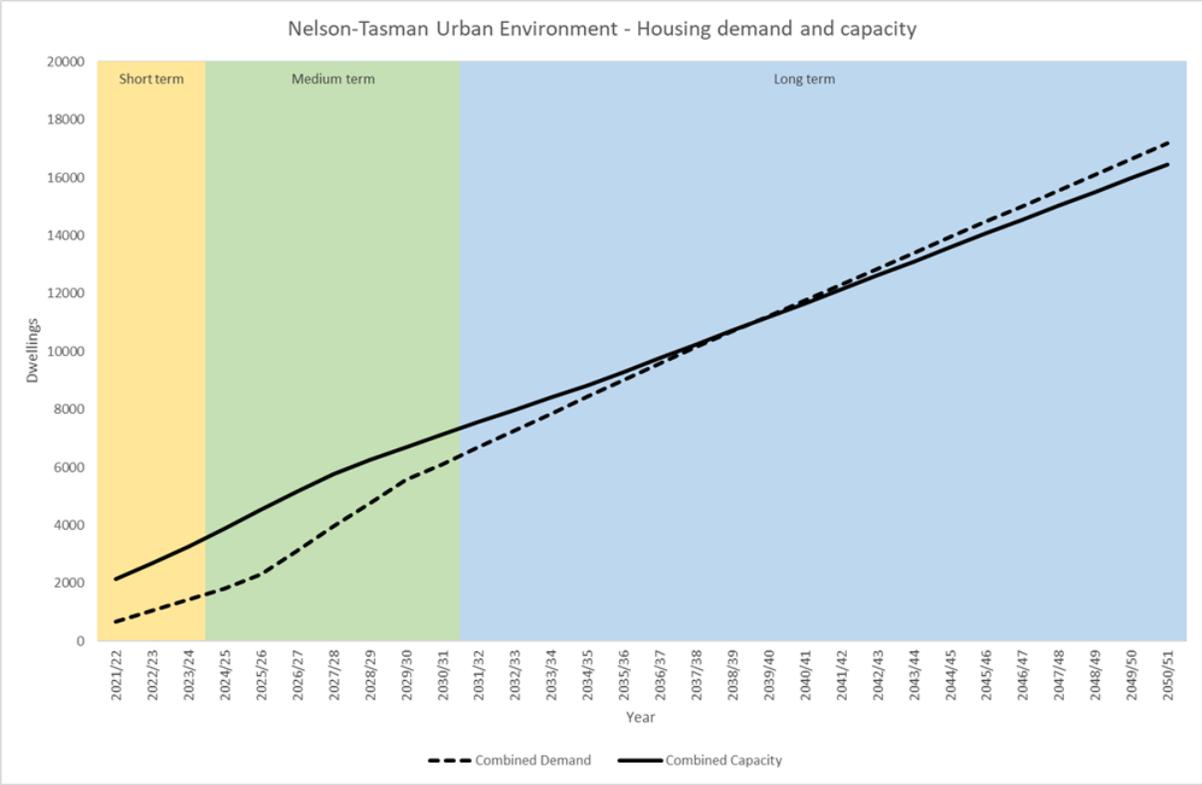


Figure 6: Household demand and capacity for Tier 2 Urban Environment for the short, medium and long term

As the individual Councils’ HBAs demonstrate:

- Tasman’s Urban Environment and entire District has sufficient development capacity for the 30-year period
- Nelson’s Urban Environment and City has sufficient development capacity until year 18 (2038/39), but insufficient development capacity for the 30-year period.

The excess development capacity of the Tasman rural remainder (outside the Urban Environment) amounts to approximately 200 dwellings of the District over the 30 year period. While this is a worst case scenario, (as additional capacity in the ward remainder areas exists but is too difficult to quantify due to the existence of many different zones and rules in these large areas), it is insufficient to provide for the deficit in Nelson’s part of the Urban Environment.

5.2 Business Demand

Although the NPS-UD does not require a business land capacity assessment at this time the Councils jointly decided to proceed with this part of the HBA, so as to enable a new FDS for the Urban Environment to be prepared shortly afterwards.

The Councils have used different methods in assessing business land demand. Due to the lead-in time throughout 2020 for developing Tasman District Council's 2021 Long Term Plan, Tasman has drawn from the Property Economics 2016 model (updated and extrapolated with the population projection for the 2021 Long Term Plan), to estimate business land demand.

The two Councils jointly commissioned Sense Partners to undertake an assessment of business land demand for each city/district as well as the Nelson Tasman Urban Environment in 2021 and Nelson has used the findings from this report. For Tasman, the Sense Partners report forecasts a lower amount of business land is required than the updated Property Economics projection. This means Tasman's business land assessment is based on the upper extreme of business land demand and future assessments are likely to be lower.

5.2.1 Combined Business Land Demand for the Urban Environment

Table 5 below shows the additional business land needed up until 2051 and includes the competitiveness margin required by the NPS-UD:

Table 5: Combined Business Land Demand for the Nelson Tasman Urban Environment

Business Land Demand	Land in hectares			
	Short Term 2021-2024	Medium Term 2025-2031	Long Term 2031-2051	Total
Commercial (and retail)	7.8	16.9	37.6	62.3
Industrial (includes some agriculture activity)	-6.8	6.3	29.7	29.2
Total of additional land required (ha)	1.0	23.2	67.3	91.5

5.2.2 Combined Business Land Capacity for the Urban Environment

Table 6 below shows the business land capacity over the 30 year period for the combined Urban Environment:

Table 6: Combined Business Land Capacity for the Nelson Tasman Urban Environment

Business Land Capacity	Land in hectares			
	Short Term 2021-2024	Medium Term 2025-2031	Long Term 2031-2051	Total
Commercial (and retail)	9.1	19.5	59.8	88.4
Industrial (includes some agriculture activity)	5.2	18.1	26.4	49.7

Total of additional land required	14.3	37.6	86.2	138.1
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The above analysis of capacity of business land for the combined Urban Environment includes vacant and underutilized zoned business land in both Districts. These levels of vacant land have been recently ground-truthed by both Councils with on site surveys.

5.2.3 Analysis of Sufficiency of Business Land for the Urban Environment

Table 7 below shows the analysis of sufficiency of business land for the combined Urban Environment:

Table 7: Analysis of sufficiency of business land for the Nelson Tasman Urban Environment

Business Land Over/Under Supply	Land in Hectares			
	Short Term 2021-2024	Medium Term 2025-2031	Long Term 2031-2051	Total
Commercial (and retail)	1.3	2.6	22.2	26.1
Industrial (includes some agriculture activity)	12	11.8	-3.3	20.5
Total	13.3	14.4	18.9	46.6

As table 7 above shows, there is sufficient business land for the Urban Environment for the 30 year period. While a small shortfall of industrial land exists in the long term (3ha), there is a surplus of 24 ha in the short and medium terms which would meet this longer term demand.

6. Next Steps and Recommendations

The HBA for Tasman illustrates that there is no insufficiency in either housing or business land for the Urban Environment or for the District overall.

The HBA for Nelson has identified an insufficiency in housing land over the thirty years, with a shortfall occurring around year 18 (2038/39).

When the Urban Environment is combined for both Councils an insufficiency of housing capacity in the whole Urban Environment exists, with a shortfall occurring at approximately year 2039/40.

In situations where an insufficiency is identified, the Council must determine if the insufficiency is due in whole or part to its RMA planning documents, and if so, must change these documents to increase capacity as soon as is reasonably practicable afterwards.

The assessment uses the rules under the Nelson Resource Management Plan to assess Nelson's capacity. Updating Council's RMA planning documents to increase sufficiency of capacity is underway through the draft Whakamahere Whakatū Nelson Plan.

The development of the Whakamahere Whakatū Nelson Plan has been informed by the analysis that has been undertaken as part of this HBA. In response to the shortfall identified the 2018 HBA and subsequent testing under the housing capacity model, the draft Whakamahere Whakatū Nelson Plan has been modified to include provisions for a wider range of higher-density housing and small homes. These provisions include the following:

- Smaller minimum lot size
- Higher maximum site coverage
- Removal or refinement of courtyard and outdoor living rules
- Changes to maximum building heights

Other recommendations for both Councils include:

- (i) Undertake a new Future Development Strategy to ensure sufficient residential and business development capacity is provided in the Urban Environment over the next 30 years. This will replace the adopted 2019 FDS and work will commence in July 2021.
- (ii) The latest Sense Partners model (2021) - forecast of business land demand will be analysed by Tasman District to inform future business land needs for the FDS.
- (iii) Build and strengthen developer relationships and identify potential partnership opportunities, including with Central Government agencies such as Kāinga Ora.
- (iv) Continue work on respective Resource Management Plan reviews

- (v) Tasman District will continue to actively monitor the housing and business demand, so that it is appropriately positioned to bring forward more land if needed.

Annex A

Tasman population projections

Tasman's population growth has been significantly higher in recent years, than during the previous decade:

- the annual average population growth over the last ten years to 2020, was 1.8% (which included an increase in 2011 following the Canterbury earthquakes)
- in the five years between 2015 and 2020, average annual growth increased to 2.2% (ranging between 1.9% and 2.4%)
- the latest provisional Stats NZ population estimate for Tasman, estimates the population grew by 2.4%, or 1300 residents, in the last year, to 56,400 as at 30 June 2020

Most of the growth was net migration gains, with half from rest of NZ and half from overseas. Looking at past trends, it is typical for half or more of Tasman's migration to be internal rather than from overseas. In the year ending June 2019, net internal migration accounted for at least three-quarters of the population growth.

In the absence of up-to-date Stats NZ population projections, Council engaged Natalie Jackson Demographics Ltd (NJD)¹ to provide District and Ward population and household projections (2018-base), with low, medium, high scenarios². The projections were based on Tasman's long-term demographic trends (births and deaths) and observed migration trends since 2006. After considering recent estimated population and dwelling growth rates, Council has assumed the medium growth scenario for the Long Term Plan (LTP). The Covid-19 pandemic has created more uncertainty in the development of this LTP.

The effects of Covid-19 were considered on the preferred medium population growth trend but for the following reasons, it remained unchanged:

- Population growth in Tasman is driven by net gains in people moving from other parts of New Zealand, rather than overseas
- During the Global Financial Crisis in 2008, Tasman's population growth rate appears to be relatively unaffected
- Strong growth continues in new dwellings built
- The Tasman economy has a relatively strong economic contribution from the primary sector – agriculture, forestry and fishing is Tasman's largest employer, followed by manufacturing, retail trade and construction. These industries account for over half of all employment in Tasman. Tasman Region saw the largest rise nationally in economic activity in the September 2020 quarter according to Infometrics estimates, rising 5.1%p.a. *"More people in the region, and a sustained boost in construction activity, has supported the local economy."* Stats NZ report on national GDP³ notes that *"the September quarter reflected a bounce back after a slump in the June quarter, due to the COVID-19 national lockdown when many businesses were shut for weeks."*

¹ [Tasman District Projections 2018-2053 provided by Natalie Jackson Demographics Ltd, November 2019](#) "Tasman District Council and Wards – Population, Household and Dwelling Projections 2018-2053"

² Due to delays in Census 2018 data, Stats NZ population projections were not updated in time to inform the growth model and the LTP.

³ [December 2020 quarter GDP drops 1.0 percent after record September rebound | Stats NZ](#)

- In the December quarter, GDP for Tasman was down 0.9% for the year to December 2020 compared to a year earlier. Although growth was still higher than in NZ generally (-2.6%)

Nelson population projections

Over the last ten years, Nelson has experienced growth of approximately 1.7% every year. In its 2018 Long Term Plan (LTP), Nelson City Council (NCC) adopted a high growth series for the years to 2028 and a medium series after that. The 2018 Housing and Business Assessment was undertaken on the basis of the population and household projections adopted in the LTP.

More recently Covid19 has introduced some uncertainties, particularly associated with migration, expected to affect Nelson's population growth over the short term. Consequently, the post-Covid modelling of Nelson's future population anticipates a low growth rate for the next three years with the growth rate gradually increasing again to sit between the medium and high growth series as previously anticipated before the Covid 19 pandemic.

Due to the variation of this projection to earlier projections, two independent reviews of the population projections were undertaken by Infometrics. The first in June 2020 as a basis for the original estimate and the second in February 2021 in response to Nelson's stronger than expected economic performance. Infometrics confirmed that the population projection adopted in November 2020 should be retained and these have then been used to established demand in this report.