PRINCIPAL ECONOMICS

Review of Housing and Business Development Capacity Assessments of the Nelson City and Tasman District

Report to the Ministry for the Environment

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Executive summary

The Ministry for the Environment (MfE) appointed Principal Economics and Urban Economics to review the Nelson Tasman Housing and Business Development Capacity Assessment (HBA). The focus of our review is on the requirements of the National Policy Statement on Urban Development 2020 (NPS-UD 2020). We have provided some suggestions in addition to the requirements to assist with improving the accuracy of the HBA. The outcomes of this review will provide indication of the areas of improvement for the next round of HBA.

Overall, the HBA provides a comprehensive assessment and meets the requirements of NPS-UD 2020

The HBA provides an appropriate structure, with useful information on demand and supply.

The HBA's capacity assessment is consistent with the NPS-UD guidelines

The approach used for the assessment of plan-enabled, infrastructure-ready, commercially feasible and 'Reasonably Expected to be Realised' (RER) capacity assessment is consistent with the guidelines of NPD-UD 2020.

The future HBA should provide further discussion of the impact of climate change

The NPS-UD 2020 motivates discussions around the well-functioning housing environment. Future discussions on the impacts of climate changes will be useful for the assessment.

We had a constructive meeting with the councils

We met with the councils and had a constructive discussion about the draft HBA review. One of the outcomes of that discussion was to improve the NPS-UD guidelines. The feedback from the councils were used in our separate report to the MfE, providing recommendations on the next steps.

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1. Introduction

The Ministry for the Environment (MfE) commissioned Principal Economics and Urban Economics to review the Housing and Business Development Capacity Assessments (HBAs) based on the guidelines of NPS-UD (2020). To do this, we follow the guidelines of the NPS-UD 2020 reviewing the methodology, assumptions and conclusions reported in the HBAs of Tier 1 and Tier 2 urban environments. For a list of Tier 1 and Tier 2 urban environments refer to Table 1.

Table 1 Urban environments and local authorities

Tier 1 Urban Environment	Tier 1 Local Authorities
Auckland	Auckland Council
Hamilton	Waikato Regional Council, Hamilton City Council, Waikato District Council, Waipā District Council
Tauranga	Bay of Plenty Regional Council, Tauranga City Council, Western Bay of Plenty District Council
Wellington	Wellington Regional Council, Wellington City Council, Porirua City Council, Hutt City Council, Upper Hutt City Council, Kāpiti Coast District Council
Christchurch	Canterbury Regional Council, Christchurch City Council, Selwyn District Council, Waimakariri District Council
Tier 2 Urban Environment	**Tier 2 Local Authorities**
Whangārei	Northland Regional Council, Whangarei District Council
Rotorua	Rotorua Bay of Plenty Regional Council, Rotorua District Council
New Plymouth	New Plymouth Taranaki Regional Council, New Plymouth District Council
Napier Hastings	Napier Hastings Hawke's Bay Regional Council, Napier City Council, Hastings District Council
Palmerston North	Palmerston North Manawatū-Whanganui Regional Council, Palmerston North City Council
Nelson Tasman	Nelson City Council, Tasman District Council
Queenstown	Queenstown Lakes District Council (QLDC), Otago Regional Council
Dunedin	Dunedin City Council, Otago Regional Council

Source: MfE & HUD (2020)

The outcome of this review includes a short report for each council outlining how they performed against the evaluation criteria, examples of good practice HBAs, and recommendations for improvement that councils could use for the next round of HBA. To achieve this, our report:

- describes the different methodologies used by councils for their assessments and whether the approaches impact the conclusions reached by the councils;
- assesses the demand projections and their assumptions (in comparison with best practice) and the potential impacts of uncertain assumptions;
- provides an overview of the housing development capacity in each Tier 1 and 2 city and the actions each council has underway or proposes to meet the demand for housing;
- provides a review of the analysis of the impact of local planning decisions and how infrastructure provision affects the affordability and competitiveness of the local housing market, and how well the housing demands of Māori and different community groups are being met;
- prepares constructive feedback on the areas for improvement that can be shared with councils if changes are needed to their HBAs.

In this chapter, we detail the assessment criteria that we will use in undertaking our review of the HBAs.

In a separate report we provide:

- a summary of our findings from our review of HBAs;
- a range of exemplars for different parts of the analysis;
- overall suggestions for the Councils for improving the HBAs;
- options for how MfE and Te Tūāpapa Kura Kāinga - Ministry of Housing and Urban Development (HUD) could assist councils in the preparation of HBAs in the future.

1.1. Overview of methodology

For our methodology, we use the process criteria provided in MfE (2018) and adjust it for the changes from NPS-UDC (2017) to NPS-UD (2020). This includes an assessment of each outcome required by the NPS-UD and providing details and scores on consistency with NPS-UD requirements. In this section, we provide a short description of our methodology for this review. The next section provides a description of the requirements of NPS-UD (2020) and the methodologies used by the HBA to address the requirements.

For a systematic review of the HBAs, we listed the requirements of the NPS-UD in 7 tables. For a list of these tables see Appendix A. We determined if the assessment has reported on required criteria under the NPS-UD guidelines and test their uncertainty from inputs' robustness, assumptions and the underlying methodologies. For our reviews we evaluated if the HBAs satisfy the following criteria:

- Using rigorous estimate of aggregate demand for houses in the short, medium, and long term.
- Using market and price efficiency indicators.
- Investigating the impact of planning decisions on affordability and competitiveness.
- Investigating the Impact of infrastructure on affordability and competitiveness.

The review tables only provide a check box informing the review about the NPS-UD requirements that have been considered in the HBA. Further discussions of the inconsistencies with the NPS-UD and potential improvements for the next round of the analysis are provided in the body of the report – in Section 2.

For each requirement in the review tables, we use a score of low (1), medium (2) and high (3) to rank the methodologies, inputs and outputs based on the NPS-UD's guidelines and the best practice amongst HBAs. The ranks are defined as below:

1. A low score suggests that the HBA has not provided the expected details to satisfy the requirements of the NPS-UD or has only referred to it without using it to inform the assessment properly.
2. A medium score suggests that the HBA has used the required indicators/methods, but there is room for improvement, particularly on the certainty around the assumptions – for example, the assumptions may have not been described or justified properly.
3. A high score suggests that the HBA has used the required indicators and has used them properly to inform the assessment, leading to high certainty around the findings from the HBA.

A more extensive descriptive outcome of the review tables is presented in the HBA review in Section 2. The scores indicate the areas for improvement and the comments in the review tables provide details on the areas of improvement. While the scores are mostly based on the NPS-UD criteria, we acknowledge that the scores carry a level of subjectivity by the reviewer. Hence, we suggest using the comments describing the areas of improvement and not relying on the scores as an absolute indicator for the accuracy of the assessment.

1.2. A description of our methodology for review tables

For the housing demand assessments, we assess the robustness of the councils' demand projections, particularly regarding unique demand pressures that local councils may experience. For example, Queenstown Lakes District is expected to have higher demand for residential land per person relative to other areas given its volatile tourism population. If councils have not used Statistics New Zealand (Stats NZ) projections, we assess the rationale behind this choice and report its suitability for the purpose of the HBA.

In our review, we assess the HBAs' analysis of the *impacts of planning and infrastructure on affordability, competitiveness and housing demand by Māori and other groups*. For this, we cross check the inputs and outputs of the HBA analysis using our developed models based on Stats NZ and councils' data. We assess the different approaches/methodologies used by councils and determine how they impact the final conclusions determined by their analysis. We also try to test modelling assumptions and conduct sensitivity testing based on the respective methodologies utilised.

For our review of *the commercial feasibility assessment's methodology and calculations*, we assess if the HBAs take into account the 'reasonably expected to be realised' (RER) builds. Not all commercially feasible areas will be fully developed.

We assess *the communication of the assessment* based on clarity, narrative and usefulness to inform planning policy. We also review the *process* and if there has been an agreement between the relevant councils on the geographic area of focus for the assessment, if local expertise was sought and used, and if the methodology and assumptions were clear.

1.3.   Meetings with the councils

We also meet with councils and discuss the draft reviews. We use this opportunity to clarify the points highlighted in our reviews. Based on the information provided by councils in the meetings, we revise and finalise our review.

2. Review of HBA

This section provides a description of the findings from our review of the Nelson Tasman HBA. The detailed review tables are presented in Appendix A.

For the assessment of the Nelson Tasman HBA, we used the HBA document, and the supporting documents, including the followings:

- Each council's respective HBA report.
- Tasman's Growth model, including projections for Tasman's 10-Year Plan 2021 – 2031, available here.
- Nelson-Tasman Housing We'd Choose Housing Demand Preferences by Market Economics, 2021.

Our reference to the HBA in our review includes the HBA report and all the supporting documents available to us – as listed above.

2.1. Overview of methodology

The population projections are based on common approaches used and satisfy the requirements of NPS-UD 2020. There are differences between the population projections presented for Nelson and Tasman. More importantly, the difference is in considerations of the impact of COVID-19. Nelson's projection has accounted for the impact of COVID-19 (and described it in their HBA) and provided an extensive discussion of the potential impacts in a separate document – available here.

Given the proximity and economic relations between Nelson and Tasman, the two areas are highly related. This is acknowledged in different parts of the HBA. For example, "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 two authorities have similar populations, the latest estimates are 54,600 residents in Nelson and 56,400 residents in all of Tasman." (p. 4 of the HBA) and concludes that "Consequently, Tasman and Nelson also function as a single housing market.". Given this close relation between the two councils, it is unusual to consider very different patterns of growth in the HBA. We suggest further exploration of the appropriate population projection.

Figure 1 Nelson City and Tasman District population projection
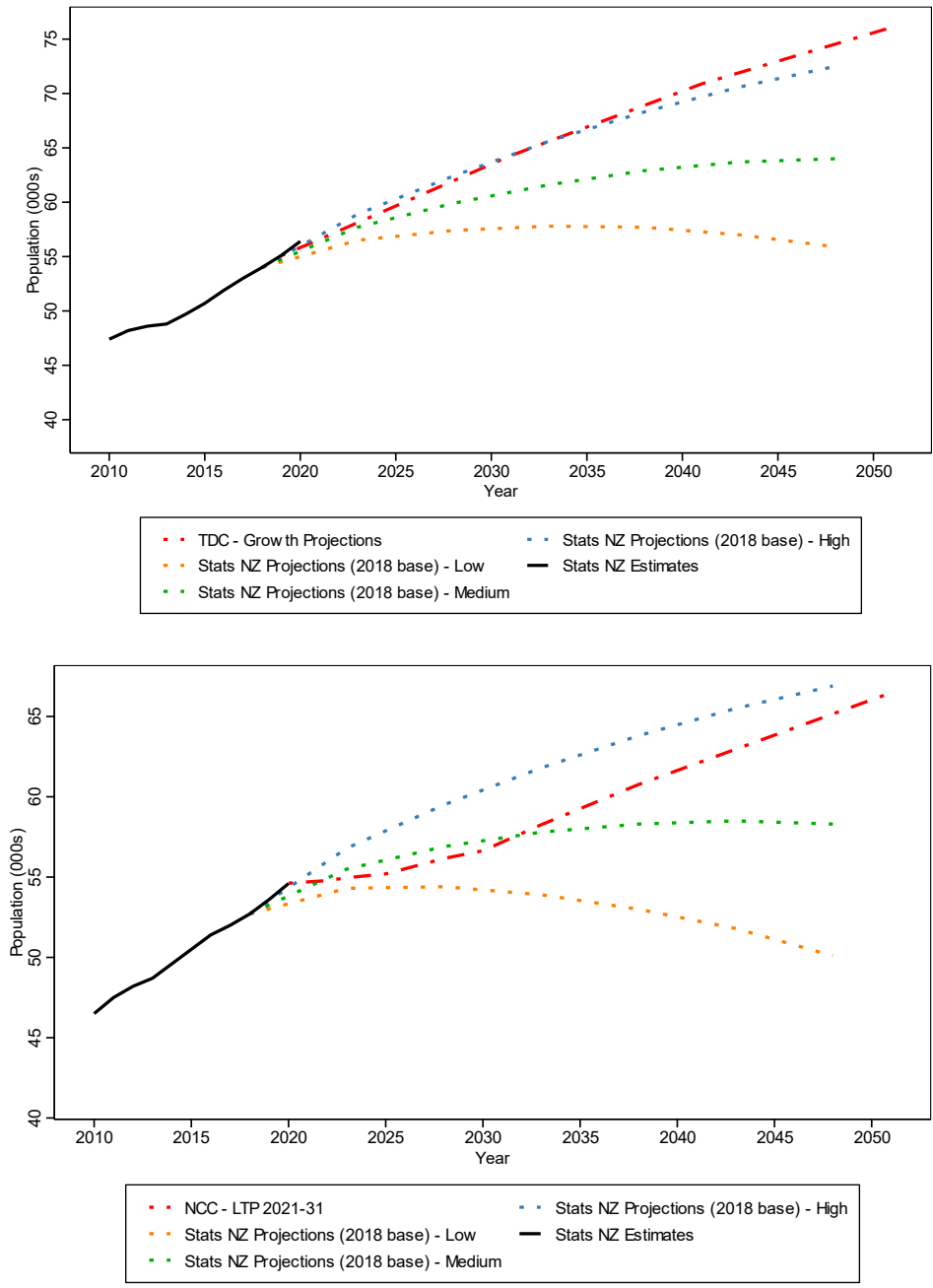
Source: Principal Economics, Stats NZ, NCC , TDC

2.2. Uncertain assumptions

Both Nelson and Tasman have provided description of their assumptions and justifications. The supporting documents provide useful information.

2.3. Impact of planning decisions and infrastructure on affordability and competitiveness

The HBAs have attempted to capture the impact of planning decisions on affordability. The appropriate indicators were used and discussed in the HBA.

2.4. Pros and Cons of HBA

The HBA provided a clear analysis of demand and capacity. The assumptions were clarified and discussed. The guidelines of the NPS-UD 2020 were followed.

There are a few details that could be considered further in the analysis of capacity. These include disaggregation of the capacity analysis by type, size and price. The HBA in the next round could consider further disaggregation.

2.5. Summary

Overall, the HBA follows the guidelines of NPS-UD 2020 and provides a useful assessment.

We suggest the future HBA to consider the impacts of planning on well-functioning urban environment further. Particularly, the HBA should consider the likely current and future effects of climate change.

References

MfE & HUD. 2020. National Policy Statement on Urban Development 2020. Ministry for the Environment. Retrieved from: https://environment.govt.nz/assets/Publications/Files/AA-Gazetted-NPSUD-17.07.2020-pdf.pdf.

MfE & HUD. 2020a. Guidance on Housing and Business Development Assessments under the National Policy Statement on Urban Development. Ministry for the Environment. Retrieved from: https://environment.govt.nz/assets/Publications/Files/Guidance-on-Housing-and-Business-Development-Capacity-Assessments-HBAs-under-the-NPS-final.pdf.

MfE & HUD. 2017. National Policy Statement on Urban Development Capacity: Guide on Evidence and Monitoring. Retrieved from: https://environment.govt.nz/assets/Publications/Files/FINAL-NPS-UDC-Evidence-and-Monitoring-guide.pdf.

Ministry for the Environment. 2018. *National Policy Statement on Urban Development Capacity: Summary evaluation report of Housing and Business Development Capacity Assessments for high-growth urban areas*. Wellington: Ministry for the Environment.

Stats NZ. (2020). *Housing in Aotearoa, 2020.* https://www.stats.govt.nz/reports/housing-in-aotearoa-2020.

Appendix A Review tables

Table 2 Demand analysis
The assessment's estimate of aggregate demand for homes in the short, medium and long term is consistent with the criteria of the NPS-UD 2020

Indicator	Score	Comments
Have all contributions to total housing demand relevant to the urban market been considered.	High	The HBA has considered all the factors of demand.
A range of demand projections are used and provide assumptions and justification of why they have identified this as the most likely projection.	High	For Nelson, the HBA considers Statistics NZ projections and uses the projections adjusted for the potential impacts of COVID-19. These assumptions are clearly stated in the HBA and justified.

For Tasman, the HBA uses a range of population projections that have been used due to the lack of up-to-date population projections from Statistics NZ at the time of preparing the HBA. Consideration for new population information from the Statistics NZ populations estimates were used as a deciding factor as to which projection series to adopt. |
| The short-term impact of COVID-19 has been considered | High | The HBA adjusted for the potential impacts of COVID-19. The assumptions are clearly stated in the HBA and justified.

For Tasman, the HBA takes into consideration a range of factors including the origins of net migration into the District is primarily from other areas of New Zealand, GDP growth relative to the New Zealand average, industry composition and construction activity in 2020. In doing so TDC have adopted a medium series population projection assuming that the district will continue its current trajectory. |
| Does the assessment use rigorous methods to explore the range of demands for **types, locations and price points** to the extent relevant in the urban market. | High | As part of the supporting documents provided with the HBA, a survey of households and their preferences was provided. This provides a useful assessment of impacts of housing supply and affordability constraints for Nelson Tasman urban areas. |
| Does the assessment produce an estimated number of dwellings required in the short, medium and long term for the area (broken down by associated districts if relevant)? | High | The HBA provides an estimated number of dwellings required over the short, medium and long term by urban environment. |
| Does the analysis use appropriate measures of affordability and housing demand? | High | The HBA includes a supplementary document surveying respondents on households on dwelling choices with and without financially constraints. This is a useful methodology for assessing how the impacts of affordability impacts demand for different housing types given differences in prices.

It would be useful to have this information further disaggregated by income bands and household composition.

The HBA has also used a range of reputable affordability indicators to assess housing affordability in the district.

For Nelson, housing affordability has been assessed based on the ability of all households within the district to finance and purchase a house. While it lacks some clarity regarding the house prices used in its methodology, it provides a useful view of affordability in Nelson. |

Indicator	Score	Comments
Does the analysis use price efficiency indicators – inc. price discontinuities and cost to market price ratio	High	The Tasman HBA reports the land to capital value ratio per site the Richmond area. Investigating the impact of intensification rezoning on prices efficiency. This is a useful exercise that shows an uplift in land values as a result of the change in planning constraints. It also shows demand for higher density dwellings within the Richmond area. By virtue of this analysis being spatial, discontinuity between land zoned for more intensive dwelling density and those less intensive is clearly observed. Tasman and Nelson councils have noted difficulties in using price efficiency indicators due to the non-contiguous nature of their urban environment. The approach used by TDC Richmond area is useful given its finer spatial granularity. It is noted that *"Nelson Main Urban Area land values do not rise as you get closer to the centres of Nelson and Richmond; conversely, they increase steeply as you get closer to the rural-urban boundaries of both Districts."* This is a useful description. Reading this alongside the Housing We'd Choose Report provided with the HBA indicates there is a mismatch between demand and affordability but not for the Nelson Central area.

Source: Principal Economics

Table 3 Capacity analysis
The assessment produces a rigorous estimate of the realisable development capacity for housing provided by current plans and development infrastructure

Indicator	Score	Comments
Does the assessment reasonably quantify all housing development capacity enabled by relevant proposed and operative RPSs, regional plans and district plans?	Medium	**Nelson** The methodology used by NCC to estimate the capacity is unique and may be appropriate to the region. However, as noted on p.47, HBA, a key limitation of the current model methodology is how plan enabled, infrastructure ready and feasible measures can be reported in this HBA. **Tasman** The assessment quantifies the capacity as per requirements of the district plan.
Is the assessment clear about what enabled capacity is also supported by development infrastructure?	High	The HBA(s) provides clear details on enabled capacity that is supported by development infrastructure. For greenfield sites this is further elaborated with comments on infrastructure challenges that constrain reasonability expected to be realised capacity vs. zoned capacity.
Accounted for impact of three waters and land transport infrastructure to service the development capacity	High	For Nelson, the HBA notes that identification of infrastructure capacity of three waters and land transport on plan enabled land was accomplished through a series of meetings with the Infrastructure Asset Management teams of Council. Consideration for infrastructure for Tasman has been undertaken as part of their 'growth model' which quantifies the amount of residential capacity in the district.

		The HBA(s) also refers to external documents detailing council's infrastructure strategy on what areas are currently supported or have development infrastructure as part of plans.
Has a robust assessment of development feasibility been undertaken?	High	**Nelson** - High The HBA uses capitalisation ratio to determine feasibility. This measure compares the land value of a site vs. its land value + improvements. After this step geographic and planning constraints are used as filters to remove any sites unfeasible owing to features other than financial costs. **Tasman** - High The HBA capacity model is highly subjective. Firstly, using GIS analysis to determine the total developable area. Development areas are then rated on developability, available lots, and geographic constraints. The output is the potential supply of sites and expected new sites. The timing of development is subjectively determined by council. The location of where new land is zoned for development that meets demand projection is based on these outputs. The proportion of total projected demand and rollout of new dwellings is settlement area is compared as a sense check. Greenfield development feasibility has been undertaken using the NPS-UD development feasibility tool.
Does the assessment determine sufficient capacity by type and location?	Medium	Location was considered. Details on type were not provided. (for further details see tables below)
Does the assessment provide information about how much of the provided capacity is realisable?		**Nelson** The HBA uses uptake rates of similar developments over the last 5-years to determine realisable capacity. Assumes 40% uptake over the next 30-years. **Tasman** The HBA use subjective evaluation by council to determine the realisable development of feasible capacity by area.
Is there a clear conclusion on whether realisable capacity for housing is sufficient?	High	Nelson The HBA is clear on the development capacity that is sufficient to meet housing demand, additional dwellings need to satisfy holiday homes and NPS-UD competitiveness margins. Tasman The HBA is clear on the development capacity that is sufficient to meet housing demand. This information is provided by development area with additional comments detailing differences in theoretical (enabled) vs. RER capacity.
Does the assessment analyse the contributing factors to any shortfall in sufficiency?	High	For Nelson, the HBA is identifies potential growth areas in the district, their infrastructure constraints and development intentions. For Tasman, the HBA is clear on the development capacity that is sufficient to meet housing demand. This information is provided by development area with additional comments detailing differences in theoretical vs. reasonability expected to be realised capacity.
Does the assessment provide housing bottom lines ensuring demand projections support competitive markets? (HHI)	High	For Nelson City the HBA is clear on the development capacity that is sufficient to meet housing demand, additional dwellings need to satisfy holiday homes and NPS-UD competitiveness margins.

		For the Tasman District bottoms lines are disaggregated by the different urban areas within its territorial boundaries.
Has a 20% and 15% take-up margin been utilised to support competitiveness?	High	**Nelson** The HBA is clear on the development capacity that is sufficient to meet housing demand, additional dwellings need to satisfy holiday homes and NPS-UD competitiveness margins.

Source: Principal Economics

Nelson City - Plan enabled, infrastructure ready, commercially feasible and RER capacity assessment

Indicator	Score	Comments
Plan Enabled Capacity		
Does the assessment reasonably quantify all housing development capacity enabled by relevant proposed and operative RPSs, regional plans and district plans?	Low	The methodology used by NCC to estimate the capacity is unique and may be appropriate to the region. However, as noted on p. 47, HBA, a key limitation of the current model methodology is how plan enabled, infrastructure ready and feasible measures can be reported in this HBA. This is because the current model combines these measures but does not allow for individual reporting on each of these. This has been identified as an improvement action for the model when it is revised to inform the next HBA.
Does the assessment make use of a suitable yield assessment method?	High	Bespoke GIS modelling is used to assess the yield at the parcel level. This is noted in section 4.5, p.48, HBA.
Is the assessment clear about the district plan zones included to calculate the plan enabled capacity?	Low	The NCC's current model doesn't allow for individual reporting.
Does the HBA quantify the plan enabled capacity in infill and greenfield areas?	Low	The NCC's current model doesn't allow for individual reporting.
Does the HBA clearly state the plan enabled capacity by type, size and price?	Low	The NCC's current model doesn't allow for individual reporting.
Infrastructure Ready		
Is the assessment clear about what enabled capacity is also supported by development infrastructure?	Low	The assessment briefly highlights infrastructure needs for the region but does not outline infrastructure ready capacity.
Does the assessment identify the infrastructure ready capacity by dwelling type, size, location and price?	Low	The NCC's current model doesn't allow for individual reporting.
Does the assessment identify the infrastructure ready capacity in short, medium and long term?	Low	The NCC's current model doesn't allow for individual reporting.
Is the assessment clear about what enabled capacity is also supported by development infrastructure in infill and greenfield areas?	Low	The NCC's current model doesn't allow for individual reporting.
Feasible Capacity		
Does the assessment provide information about the methodology and assumptions?	Medium	The assessment relies on two different sets of methodologies to assess capacity in infill and greenfield areas. For infill areas, methodology is based on the ratio of land values to capital values. For greenfield areas, methodology is based on the Ministry of Housing and Urban Development feasibility tool (MHUD). It is noted in section 4.6, p.49-50 and section 4.9, p.51, HBA.
Has summary of input data been included in the HBA report?	Low	This assessment doesn't provide the summary of input data.

Is input data from reliable sources and verified to reflect the current market conditions.	Medium	The assessment incorporates data from reliable sources but may not reflect the current market conditions as the data used is from Dec 2020 (p.50, HBA).
Does the assessment quantify capacity for short, medium and long term?	High	The assessment provides breakdown of capacity for short, medium and long term. It is noted in table 12, p. 52, HBA
Does the assessment identify the feasible capacity by infill and greenfield areas?	High	The assessment provides capacity by infill/greenfield splits. It is noted in figure 24, p. 54, HBA
Does the assessment identify the feasible capacity by dwelling type, size, location and price?	Low	The assessment does not provide any information on capacity by dwelling type, size, location and price.
Reasonably Expected to be Realised		
Does the assessment provide information about the methodology and assumptions?	Low	No information is provided pertaining to the methodology and assumptions.
Does the assessment provide information about how much of the provided capacity is realisable in infill and greenfield areas?	Low	No information is provided.
Does the assessment determine capacity by type, size, price and location?	Low	No information is provided.
Is there a clear conclusion on whether realisable capacity for housing is sufficient?	Low	No information is provided
Does the assessment analyse the contributing factors to any shortfall in sufficiency?	Low	No information is provided.

Source: Urban Economics

Tasman District - Plan enabled, infrastructure ready, commercially feasible and RER capacity assessment

Indicator	Score	Comments
Plan Enabled Capacity		
Does the assessment reasonably quantify all housing development capacity enabled by relevant proposed and operative RPSs, regional plans and district plans?	High	The assessment quantifies the capacity as per requirements of the district plan.
Does the assessment make use of a suitable yield assessment method?	High	Bespoke GIS modelling is used to assess the yield at the parcel level. This is noted on p.36 HBA.
Is the assessment clear about the district plan zones included to calculate the plan enabled capacity?	High	The assessment outlines the zones included to calculate the plan enabled capacity. It is noted in section 5.5, p. 40, HBA.
Does the HBA quantify the plan enabled capacity in infill and greenfield areas?	Medium	The plan enabled capacity is quantified as a total rather than infill/greenfield split. It is noted in section 5.3, p.38, HBA. Following our meeting with the councils, they asked for further clarification on this indicator. Below is our response: "Table 12 p.39 doesn't provide Plan Enabled Capacity by infill and greenfield areas. It rather illustrates the Reasonably Expected to be Realised capacity. The NPS requires development capacity to be assessed by infill/greenfield areas and given the District Plans have a strategic growth distribution target for infill and greenfield,

		which are distinct locations, there is a need for greenfield to be assessed and the results presented separately. This may be a recommendation for MFE. As such, in our view, the best practice would be to explicitly state the plan enabled capacity by infill/greenfield split."
Does the HBA clearly state the plan enabled capacity by type, size and price?	Low	The assessment does not quantify the plan enabled capacity by type, size and price. Following our meeting with the councils, they asked for further clarification on this indicator. Below is our response: "The information requested is for Plan Enabled Capacity. Section 5.13 provides information on Reasonably Expected to be Realised capacity and the breakdown of the dwellings demanded by type. To align with Section 3.25 (2) of the NPS-UD, HBA must quantify development capacity in different locations, including in existing and new urban areas and of different types, including standalone dwellings and attached dwellings."
Infrastructure Ready		
Is the assessment clear about what enabled capacity is also supported by development infrastructure?	High	The assessment highlights detailed discussion about infrastructure needs for the region. Investments in services across Tasman is explicitly stated. It is noted on p.55, HBA.
Does the assessment identify the infrastructure ready capacity by dwelling type, size, location and price?	Low	The assessment does not quantify the capacity by these parameters.
Does the assessment identify the infrastructure ready capacity in short, medium and long term?	Low	The assessment does not quantify the capacity across various time-periods. Following our meeting with the councils, they asked for further clarification on this indicator. Below is our response: "The information requested is for Infrastructure Ready capacity. Table 15,16 & 17 provides information on Reasonably Expected to be Realised capacity."
Is the assessment clear about what enabled capacity is also supported by development infrastructure in infill and greenfield areas?	Low	The assessment doesn't not quantify capacity by infill/greenfield split
Feasible Capacity		
Does the assessment provide information about the methodology and assumptions?	Medium	The assessment outlines detailed overview of the methodology. The assessment undertakes different modelling approaches to assess capacity in infill and greenfield areas. For infill areas, methodology is based on land values to capital values (section 5.6.1, p.41-45, HBA) whereas, for greenfield aeras methodology is based on NPS-UDC development feasibility tool (section 5.6.2, p.46, HBA).
Has summary of input data been included in the HBA report?	High	The assessment does include the summary of input data in figure 14, p.44 & section 5.6.2, p.46, HBA.
Is input data from reliable sources and verified to reflect the current market conditions.	High	The assessment incorporates data from reliable sources and reflect the current market conditions. It is noted in figure 14, p. 44, & section 5.6.2, p.46, HBA.
Does the assessment quantify capacity for short, medium and long term?	Low	The assessment does quantify the capacity across time-periods but it lacks clarity. This is noted on p. 45 & p.46, HBA.

| | | Following our meeting with the councils, they asked for further clarification on this indicator. Below is our response:

"Infill and greenfield commercially feasible capacity isn't covered in Section 5.8, 5.9 and 5.10. These sections identify Reasonably Expected to be Realised capacity.

Instead, greenfield capacity is highlighted in Section 5.6.2 "Greenfield Commercial Feasibility" on p.46 of the HBA. For infill commercial feasible capacity, it is noted in Section 5.6.1 "Intensification (brownfield) Commercial Feasibility" on p. 45 of the HBA.

As stated in our HBA review, quantification of commercial feasible capacity lacks clarity and undermines the usefulness of the report. In our view, the best practise would be to explicitly state the commercial feasible capacity across time-periods." |
|---|---|---|
| Does the assessment identify the feasible capacity by infill and greenfield areas? | High | Identifies the capacity in both infill and greenfield areas. Infill capacities are noted on p.45, HBA. Greenfield capacities are noted on p. 46 and appendix 5, HBA. |
| Does the assessment identify the feasible capacity by dwelling type, size, location and price? | Low | The assessment provides disaggregation of dwellings by locations only. |
| **Reasonably Expected to be Realised** | | |
| Does the assessment provide information about the methodology and assumptions? | Medium | The assessment uses TCC's growth model to assess the capacity. The methodology and assumptions are outlined reasonably well (Section 5, p.36-37, HBA). |
| Does the assessment provide information about how much of the provided capacity is realisable in infill and greenfield areas? | High | Table 12 in Section 5.4 illustrates Reasonably Expected to be Realised capacity by infill/greenfield split. |
| Does the assessment determine capacity by type, size, price and location? | Low | The assessment determines the capacity by location only. It is noted in table 12 p.39, HBA |
| Is there a clear conclusion on whether realisable capacity for housing is sufficient? | High | The assessment does provide a clear understanding of sufficiency of the reasonably expected to be realised capacity. |
| Does the assessment analyse the contributing factors to any shortfall in sufficiency? | High | The assessment identifies sufficient development capacity for housing in the short, medium and long term (section 7.1, p.70, HBA). |

Source: Urban Economics

Table 4 Māori and other community groups
The assessment considers the demands of Māori and other community groups

Indicator	Score	Comments
Does the assessment consider the demands of Māori?	Medium	The HBA assesses the projected demographics of Māori population but does not describe aspects of Māori housing demand such as papakāinga housing, development trends on Māori land or identify the impediments on living on or developing Māori land. The HBA needs to ensure that their analysis of demand accounts for: (i) the demands of Māori, in terms of type, price, and location, of different households; and (ii) Māori traditions and norms. We do not see if the current assessment of demand accounts for the features of Māori demand. We note that in the Tasman portion of the HBA that their Future Development Strategy review will continue to explore specific housing opportunities for Māori.
Does the assessment consider the demands of households of different income groups?	Medium	For Nelson, the HBA have used a bank mortgage calculator to estimate the proportion of households with the ability to purchase a home at different housing price brackets. This is useful measure that we have seen used in other HBAs albeit in a more formalised manner. For Tasman, The HBA reports the proportion of households with income less than $70,000 across their urban areas. Additionally, there is discussion on the provision of public housing in the district.
Does the assessment consider the demands of households of different household compositions?	Low	The HBA does not consider the demands of households of different household compositions.

Source: Principal Economics

Table 5 Price efficiency indicators
The assessment explicitly uses market and price efficiency indicators

Indicator	Score	Comments
Does the assessment include consideration of price efficiency indicators as a package and an analysis of what these suggest about the sufficiency of supply and location of development capacity?	High	The Tasman HBA reports the land to capital value ratio per site the Richmond area. Investigating the impact of intensification rezoning on prices efficiency. This is a useful exercise that shows an uplift in land values as a result of the change in planning constraints. More important it shows demand for higher density dwellings within the Richmond area. By virtue of this analysis being spatial, discontinuity between land zoned for more intensive dwelling density and those less intensive is clearly observed. Tasman and Nelson councils have noted difficulties in using price efficiency indicators due to the non-contiguous nature of their urban environment. We feel that the approach used by TDC Richmond area is superior given its finer spatial granularity. It is noted that *"Nelson Main Urban Area land values do not rise as you get closer to the centres of Nelson and Richmond; conversely, they increase steeply as you get closer to the rural-urban boundaries of both Districts."*

Indicator	Score	Comments
		It is also identified by the HBA(s) that land ownership concentration is very high and likely to be contributing to the high cost of land in the region.

Table 6 Planning, affordability and competitiveness
Impact of planning and infrastructure on affordability and competitiveness

Indicator	Score	Comments
Does the HBA provide an assessment of the impact of infrastructure on affordability and competitiveness	Medium	Tasman and Nelson councils have noted difficulties in using price efficiency indicators due to the non-contiguous nature of their urban environment. With notes that MfE did not require many of the monitoring indicators to assessed within this area. The HBA does not assess the impact of infrastructure on affordability and competitiveness.
Does the HBA use a robust affordability assessment framework to assess the impact of planning and infrastructure?	Medium	Tasman and Nelson councils have noted difficulties in using price efficiency indicators due to the non-contiguous nature of their urban environment. With notes that MfE did not require many of the monitoring indicators to be assessed within this area.

Table 7 Communication

Indicator	Score	Comments
Clarity	High	The HBA provides a clear structure for the report and describes the underlying assumptions and justifications.
Narrative	High	The HBA has provided an appropriate narrative with description of the trends and the current housing market.
Usefulness to decision-makers	High	Overall, the HBA provides useful information for decision-making.

Table 8 Process

Indicator	Score	Comments
Agreement between the relevant councils on the geographic area of focus for the assessment	Medium	The HBA acknowledges that the Tasman District and Nelson City operate and function as a single economic market. However, while there is a summary document that encompasses both territorial authorities the assessment has been undertaken largely as two separate markets. This is most evident in the adoption of separate population projections for each area. For the Tasman District, a high projection above Statistics NZ high series has been adopted. For Nelson City a population projection with a significant short-term adjustment for the impacts of COVID-19 has been adopted.
Has local expertise sought and used? Have councils engaged with the development sector, providers of infrastructure, and others with important information?	High	The HBA has undertaken a comprehensive level of engagement across a wide range of local stakeholders. The results from stakeholder engagement have been used to identify issues with housing affordability due to mismatches in housing type, shortfalls in seasonal worker accommodation, and housing needs for Māori residents. For Nelson, the HBA uses developer master plans to assess greenfield development intentions and feasibility. Developers were also asked about constraints they were facing with feedback incorporated into the determination of feasible capacity.
Transparency	Medium	The HBAs separately provided a transparent assessment. The combined HBA has not provided the details required in a cohesive format.
Does the HBA assess the impact of different regulator and non-regulator options for urban development and their contribution to well-functioning urban environments?	High	The HBAs provided an appropriate level of details on regulatory and non-regulatory factors.

Source: Principal Economics

Principal Economics